FINANCIAL TIMES

World Business Newspaper http://www.FT.com WEDNESDAY MAY 20 1998

Responsible Business
Morality meets Mammon
A Financial Times Guide

Nuclear proliferation
Hard to criticise India for wanting a deterrent
Edward Mortimer, Page 12

E-commerce
Fear and enterprise as the net closes in
Page 22

Italy's black economy
Employing a third of workers in the south
Page 3

World's best business books
Results of the Financial Times/Booz-Allen & Hamilton Global Business Book Awards
In Tomorrow's FT

WORLD NEWS

Delors urges a human face for democracy in Europe

Former president of the European Commission Jacques Delors challenged the secret horse-trading between governments that decides who gets the top job, urging candidates to wage public campaigns for the presidency. "This is not a putsch or a coup against the national governments," he said. "The time has come to put a face on European democracy." **Page 2; Observer, Page 13**

More criticism for Ciampi
A member of the Italian government, public works minister Paolo Costa, has added his voice to the chorus of unease over the way treasury minister Carlo Azeglio Ciampi has slashed spending on infrastructure as part of Italy's attempt to qualify for Emu. **Page 3**

UK urges free but fair trade
International efforts to improve protection of the environment and uphold core labour standards must not lead to trade barriers against exports from developing countries, UK prime minister Tony Blair told the WTO in Geneva. **Page 8**

CDU aims at Schröder
German chancellor Helmut Kohl's party, the Christian Democratic Union, stepped up its attack on opposition Social Democratic party candidate Gerhard Schröder and staked its claim to reoccupy the middle ground of politics. **Page 2**

Washington might move against NZ
The US has threatened action against New Zealand for its move to remove restrictions on parallel imports, allowing importers to bring in brand name goods without a franchise. **Page 8**

Turks wary on EU talks
Turkey refused to give visiting UK foreign secretary Robin Cook an outright commitment to attend a meeting next week to repair Ankara's severely strained relations with the EU. **Page 2**

Mexico shocked by arrests
The arrests of Mexican bankers and indictment of three Mexican financial groups on money laundering charges in the US have sent shock waves through the Mexican establishment. **Page 4**

Milosevic defies Montenegrans
Yugoslavia's crisis deepened as President Slobodan Milosevic named an ally, Momir Bulatovic, as prime minister despite warnings by Montenegro that it would refuse to recognise him. **Page 3**

Ethiopia warns of war
Ethiopia said its border row with Eritrea could develop into a full-scale conflict and urged the international community to put pressure on Asmara. **Page 7**

No more EU duty-frees
Duty-free shopping within the EU will be scrapped in 1999, finance ministers reaffirmed. **Page 3**

French to work 35-hour week
The French national assembly approved a reduction in the working week to 35 hours. **Page 2**

BUSINESS NEWS

Russia lifts interest rates to 50% in bid to steady rouble and stock market

Russia's central bank raised its interest rates to 50 per cent to shore up the rouble in the face of pressure on state treasury bonds and the currency. The benchmark RTS share index, which fell 11.8 per cent on Monday, rose 4 per cent and the rouble steadied at Rbs6.15 to the dollar. **Page 14; Editorial Comment, Page 13**

Ahold, the Dutch supermarkets group, has bid $2.7bn-plus for Giant Food, a Maryland-based US food chain that UK retailer J Sainsbury had sought to control. Ahold described Giant as "highly compatible with our other US companies". **Page 15; Lex, Page 14**

Pohang Iron and Steel of South Korea has proposed an equity swap with Nippon Steel of Japan that could lead to a strategic alliance between the world's two largest steelmakers. **Page 14**

The European Commission has received from the French government a list of assets that troubled French bank Crédit Lyonnais will have to sell to gain approval for an estimated FFr120bn-FFr145bn ($20bn-$24bn) state rescue package. **Page 15**

Sony Pictures is gambling on a monster run to get a return on a $120m production and marketing budget for its revival of Godzilla tonight on a record 7,363 screens in 3,310 US cinemas. **Page 4**

Matsushita Electric, the Japanese electronics group, said it planned to increase the proportion of European sales manufactured locally from one-third in 1993 to two-thirds by 2000. **Page 16**

The US Federal Reserve opted to leave short-term interest rates unchanged in spite of recent rapid economic growth and increasingly tight labour markets. **Page 4**

Drugs for the central nervous system, mainly anti-depressants, outstripped all other prescription drugs in sales growth in the year to February 1998. Sales rose 13 per cent, driven by increases in the US, UK, Spain and Mexico. **Page 8**

Viag, the Munich-based conglomerate, set its sights on a US stock market listing as it reported a 20 per cent rise in first-quarter pre-tax earnings to DM806m ($443m) and said it would expand power generation and telecommunications activities in east Europe.

Tengizchevroil, the Chevron-led group overseeing the $20bn development of the Tengiz oilfield on the Caspian Sea in Kazakhstan, may ask shareholders for more cash as low crude oil prices undermine expansion financing. **Page 7**

Euro Prices
A comprehensive statistical guide to the new euro currency zone, covering foreign exchange, bond and equity markets. **Page 23**

Reform offer fails to quell mass protest in Indonesia

By John Ridding and Sander Thoenes in Jakarta

Indonesia last night faced mass protests that could prove decisive for its future stability after President Suharto's opponents rejected his plans to see through political reforms before stepping down.

The scale of today's demonstration and the response from the armed forces are viewed as a crucial in determining the prospects for stability in Indonesia. "Everyone is on edge, watching and waiting," said one diplomat.

Mr Suharto, whose 32-year hold on power has been shaken by mounting opposition, said he would hold parliamentary elections "as soon as possible" following a change in electoral laws. He said he would not stand in subsequent presidential elections. His term is due to end in 2003.

Despite the concessions, more than 10,000 students descended on parliament. They said Mr Suharto was trying to buy time through a long transition process and demanded his immediate resignation. Amien Rais, a Moslem opposition leader, said he would go ahead with today's scheduled mass protests.

Mr Suharto, in his first public statement since riots and looting left more than 500 dead in Jakarta last week, said in a television address: "I will not be prepared to be elected any more. I have taken the decision as president to implement and lead the national reform immediately." Juwono Sudarsono, environment minister, said new election laws could be in place within two months.

Mr Suharto said he would follow the 1945 constitution, which requires a new leader to be elected by the People's Consultative Assembly, the top legislative institution. "If we do not uphold the constitution, the country will not last long," he said, adding that "bloodshed and even civil war" could result.

The Indonesian leader, who had earlier met leaders of the armed forces, appeared calm and confident. But the situation in Jakarta was tense, with troops and armoured cars taking up strategic positions in the city. The US said Mr Suharto's recognition of the need for political reform in Indonesia was "long overdue".

Many foreign citizens have already been evacuated from Indonesia, dealing a further blow to the country's crippled economy, which some foreign bankers believe could contract by more than 10 per cent this year.

Regional markets jumped following Mr Suharto's speech. The rupiah climbed from a morning low of 16,000 to the US dollar to 11,800, while the stockmarket gained 6 per cent in thin trading.

Uncertainty reigns, Page 6

'Buying time': President Suharto yesterday Picture: Reuters

RJB calls for halt to German coal merger

By Andrew Taylor, Utilities Correspondent

RJB Mining, Britain's biggest coal producer, as part of an investigation it is demanding into state subsidies, has asked the European Commission to halt German merger plans to create a powerful coal group.

The proposed merger, between Ruhrkohle Bergbau, Saarbergwerke and Preussag Anthrazit, would create a single German coal mining company, Deutsche Steinkohle.

RAG, the mining and energy group which owns Ruhrkohle, is paying just DM1 for Saarbergwerke, owned jointly by the federal government and the region of Saarland.

RJB is concerned that the nominal price should not reflect hidden subsidies to the merged business.

On a broader level, it wants Brussels to investigate state subsidies to the German coal industry, expected to total DM9.25bn ($5.08bn) this year.

The move comes as the UK government has been conducting a review of its domestic power station fuel policies after warnings of possible job losses in the mining industry.

Reports that UK authorities were considering a complaint to Brussels over German coal subsidies – to promote a wider market for UK coal – prompted an angry response from Gunter Rexrodt, German economics minister, this year.

Mr Rexrodt said: "The British government is apparently reluctant to award new subsidies [to help its own industry]. But it cannot expect German taxpayers to save British jobs at the expense of German ones. The real reason for the British coal industry's problems is that the privatised coal sector cannot even compete in its own market against gas and imported coal."

John Battle, UK energy minister, said yesterday the UK had the cheapest coal production in Europe but was being kept out of German and Spanish markets by unfair state subsidies.

However, Mr Battle ruled out erecting trade barriers against coal imports from other big coal-producing countries such as the US and Australia. He said that Britain wanted to be fair, not protectionist.

Castro denounces EU-US agreement

By Pascal Fletcher in Havana

President Fidel Castro of Cuba yesterday angrily condemned as "confusing, contradictory and threatening" an agreement between the US and European Union aimed at ending their dispute over the US Helms-Burton law against Cuba.

The Cuban leader, addressing the World Trade Organisation in Geneva, said that any agreement made "at the expense of Cuba ... would be an unthinkable dishonour for Europe". He also accused the US of committing "economic genocide" with the boycott, which he said had cost the island $60bn.

There was considerable confusion and uncertainty among European diplomats and businessmen in Havana about just what the deal would mean in practice for European investors on the communist-ruled Caribbean island.

European businessmen operating in Cuba generally welcomed the prospect of a US waiver on the Title IV sanctions provisions in the Helms-Burton law, which threaten to bar from the US the executives of foreign companies investing in expropriated, formerly US-owned properties on the island.

The text of the EU-US understanding also stated that the US administration was prepared to consult Congress on the possibility of obtaining a waiver provision with no specific time limit for Title III of the law. That is the clause that allows US claimants to file legal suits against foreign investors judged to be "trafficking" in expropriated properties.

But European businessmen had some reservations about the so-called "disciplines" agreed in the deal to discourage future investments in expropriated property in Cuba and about the circumstances under which such disciplines might be triggered.

They also wondered about plans in the accord to set up an international registry of claims on allegedly expropriated properties. Some said this seemed to give a new lease of life to the Helms-Burton law, which has been fiercely opposed by European governments.

European investors took some comfort from the fact that, under the accord, existing investments in Cuba would not be subject to the new disciplines.

A fact sheet issued by the US Interests Section in Havana hailed the accord as providing "an effective, multifaceted, multilateral regime for supporting American claimants" in Cuba and elsewhere.

No European companies have been sanctioned under the Helms-Burton law but several, including the Spanish Sol Meliá hotel chain, Pernod Ricard, the French drinks company, and Premier Oil of Britain, have seen their activities in Cuba come under scrutiny from US officials.

Potential investors in Cuba routinely check all projects for possible Helms-Burton claims.

France wary of deal, Page 8

Israel warns EU over trade boycott

By Judy Dempsey in Jerusalem

Benjamin Netanyahu, the Israeli prime minister, yesterday warned the European Union it had little chance of playing a role in the Middle East peace negotiations if Brussels imposed a boycott of goods from Jewish settlements in the occupied territories exported under an Israeli label.

Speaking at a business conference, Mr Netanyahu said the EU would be considered "a one-sided player" if the boycott went ahead.

In fact, he has always been reluctant to involve the EU in any mediating role, except to provide aid to the Palestinian Authority.

His statement prompted a rapid and strongly worded response from the Commission, which said Mr Netanyahu was turning a trade dispute into a political issue rather than addressing the existence of alleged fraud.

A Commission statement said Israel was trying to "politicise a question that relates only to legal issues". The issue, it added, was about correcting an "alleged case of massive fraud" of the regulations on rules of origin governing free trade between the EU and Israel.

Last week, the Commission formally warned Israel it would act to stop imports from the occupied territories which benefit from trade privileges granted to Israel.

It said the Israeli settlements in the West Bank and Gaza, in east Jerusalem and the Golan Heights were "not part of the state of Israel", adding that goods exported to the EU should not benefit from preferential treatment under the EU's trade agreement with Israel.

The Commission said that it had not referred to sanctions or a boycott in discussions with Israel.

Mr Netanyahu said that, if Israeli businesses were damaged by any EU action, they would not be obliged to continue employing Palestinian labour.

"This is what Netanyahu really thinks of the Palestinians," said an EU diplomat.

"He is using them as pawns instead of openly admitting the possibility of fraud. He is trying to show the Commission's complaints are linked to the stalled peace process rather than admit Israel is breaking trade rules."

The Commission statement said: "Any politically motivated reading on the part of the Israeli authorities is their own responsibility."

Yaakov Neeman, Israel's finance minister, will today meet the 15 EU ambassadors to discuss the deteriorating relations. A third of Israel's exports go to the EU, while the EU supplies over 51 per cent of the goods Israel buys from abroad.

Observer, Page 13

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	9100.49	(+49.58)
NASDAQ Composite	1845.64	(+14.02)
Europe and Far East		
CAC40	3080.84	(+35.53)
DAX	5388.90	(+46.05)
FTSE 100	5877.8	(+51.6)
Nikkei	15,551.65	(+167.18)
US Lunchtime RATES		
Federal Funds	5.43%	
3-mth Treas Bills: Yld	5.208%	
Long Bond	102¾	
Yield	5.931%	
OTHER RATES		
UK: 3-mth Interbank	7½	(same)
UK: 10 yr Gilt	109.4766	(109.486)
France: 10 yr OAT	103.54	(same)
Germany: 10 yr Bund	107.19	(107.20)
Japan: 10 yr JGB	111.52	(111.51)
NORTH SEA OIL (Argus)		
Brent Dated	$14.90	(14.76)

GOLD		
New York: Comex		
(May)	$298.7	(299.6)
London:		
	$300.05	(299.05)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6243	
DM	1.7856	
FFr	5.9865	
SFr	1.4836	
Y	136.60	
London:		
£	1.6245	(1.6213)
DM	1.7845	(1.7882)
FFr	5.9831	(6.0025)
SFr	1.4826	(1.489)
Y	136.090	(136.11)
Tokyo Close		Y 135.91
Sterling		
DM	2.8988	(2.9008)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Los Angeles · Tokyo · Hong Kong · Chicago

CONTENTS

Full contents and Lex back page

WORLD NEWS

EUROPE

France cuts working week to 35 hours

By Robert Graham in Paris

The French national assembly yesterday took an historic step in labour legislation by approving a reduction in the working week from 39 to 35 hours from 2000.

The law, a centrepiece of the Socialist-led government's election manifesto last year, offers a sliding scale of incentives to employers, provided that they cut working hours and create extra jobs.

It is being introduced against the strong opposition of the employers' federation, the CNPF, whose members object to being forced to cut the working week and doubt that it will create more jobs.

The rightwing opposition parties failed to halt the legislation in parliament despite almost 90 hours' debate and four readings in the two-chamber parliament. However, they are expected to mount a final challenge, taking the law to France's constitutional court.

The challenge is likely to be little more than symbolic, since the legislation builds on a 1996 law introduced by the current opposition.

The so-called Robien law offered social security subsidies of up to 40 per cent, if the working week was cut to 35 hours – either to create new jobs or to protect companies in difficulties.

The Robien law has been applied in 2,200 cases, affecting 235,000 jobs, but is recognised to have been excessively costly.

The new law provides the broad framework for the introduction of the 35-hour week, but a second piece of legislation will be necessary in the second half of 1999 to flesh out the details.

The second law will tackle essential elements, such as how overtime will be paid, the working hours of salaried staff and the number of hours worked during the year.

As a result, the CNPF's vocal public protests are more muted in private. Employers recognise the law could offer a chance to increase productivity and introduce more flexible work contracts with lower wages.

The ambiguities in yesterday's law are of concern to trade unions, which fear wages may be undermined. Unions are also wary of labour ministry-inspired studies that predict some 280,000 jobs could be created over five years by cutting the working week by 10 per cent.

The main provisions oblige all companies employing more than 20 people to introduce the shorter working week from January 2000, and all the rest from 2002.

Those companies which opt to reduce working hours earlier by 10 per cent and increase their labour force by 6 per cent will receive a FFr9,000 ($1,500) social security subsidy per employee in the first year. Thereafter it will decline each year to FFr6,000 after five years. This will then be replaced by FFr5,000 a year per employee in "structural support".

In labour-intensive industries such as textiles, with large numbers of unskilled workers, there will be an additional FFr4,000 annual subsidy – a measure excluded from last October's original proposals.

Additional subsidies will also be open to companies taking on a larger number of new employees. Also subsequently added was a clause listing 45 public sector employers excluded from the scheme.

Delors urges democratic 'face'

By Lionel Barber in Brussels

Delors: Political groups should pick their candidates for Commission presidency — Pica Pressfoto

Jacques Delors yesterday challenged the secret horse-trading between national governments that decides the post of president of the European Commission, urging candidates instead to wage public campaigns for the top job.

"This is not a putsch or a coup against the national governments," insisted the man known as "Mr Europe", who held the European presidency between 1985 and 1995. He added: "The time has come to put a face on European democracy."

His idea – which does not require a change in EU treaties – is that each of the European political groups such as the Socialists and the centre-right People's Party should choose a candidate for head of the Commission, the executive arm of the EU.

Candidates and groups would campaign on different platforms in the European Parliament elections in June 1999. This is the date when EU leaders plan to designate a Commission president to take office in January 2000.

The Delors initiative aims to stimulate interest in the parliamentary elections, which have suffered from low turn-out and voter apathy. He suggested it was time to introduce "personality politics" and he added that he also wanted to prevent a repeat of the "painful" events of 1994. Britain vetoed Jean-Luc Dehaene, the Belgian prime minister and Franco-German favourite for the Commission post, and Germany blocked Ruud Lubbers, the outgoing Dutch prime minister. Jacques Santer of Luxembourg emerged as a compromise after backroom horse-trading.

Mr Delors' proposal enjoys the support of five former European prime ministers who have joined his political action committee known as Notre Europe. Two – Giuliano Amato of Italy and Felipe González of Spain – are tipped as potential candidates for the top Brussels post.

Mr Amato was absent yesterday, and Mr González declined to be drawn on his intentions. But the former Spanish premier said he favoured candidates showing their hand even if this was unlikely to help their cause.

Mr González predicted that EU leaders who constantly attacked the Commission as remote and bureaucratic would find it hard to attack a plan which aimed to increase the democratic legitimacy of the president.

The first test for the Delors plan is whether the main European Parliament groups will accept. The second will come at the EU summit in Cardiff next month.

Mr Delors confirmed that he was ready to accept President Chirac's proposal to head a Wise Men's Group on the future of the EU linked to eastern enlargement. But he cautioned that he required a clear mandate and, crucially, the support of the 14 other EU governments.

CDU leaders aim their fire at Schröder

By Peter Norman in Bremen

The Christian Democratic Union of Chancellor Helmut Kohl yesterday stepped up its attack on Gerhard Schröder, the opposition Social Democratic party candidate in September's general election, and staked its claim to reoccupy the middle ground of German politics.

In a withering attack on the SPD challenger, Wolfgang Schäuble, leader of the CDU parliamentary party and Mr Kohl's "crown prince", accused Mr Schröder of pursuing a "dishonest" election campaign, which focused on glitzy presentation and avoided clear commitments.

Mr Schröder, he said, had been for and against the euro, for and against the electronic surveillance of homes of professional criminals, for and against lowering Germany's top tax rate, for and against pension reform and for and against German unification.

Mr Schäuble's speech also highlighted the SPD's decision last week in the eastern German state of Saxony-Anhalt to form a minority government with the tacit support of the east German Party of Democratic Socialism, the former communists.

The SPD policy, he warned, would drive eastern and western Germany apart. It underlined the CDU's role as the "people's party of the centre". Alluding to last month's Saxony-Anhalt election in which the far-right German People's Union (DVU) took nearly 13 per cent of the vote and the PDS 19.6 per cent, Mr Schäuble gave a promise that the CDU would "never make common cause with extremists, whether of left or of right".

He added: "I find it completely incomprehensible how the Social Democrats can believe they can co-operate with the communists in the PDS without encouraging rightwing extremism."

While attacking SPD and PDS, Mr Schäuble took pains to present the CDU as the party with eastern Germany's interests at heart. The CDU was also the only party prepared "boldly to push open the gate to the future". The party's policies gave priority to economic growth and more employment, he said.

Mr Schäuble's speech was rewarded with the now customary standing ovation. Led by a beaming Mr Kohl, the delegates applauded for just over four minutes, an ovation that reinforced the impression of party unity without detracting from Mr Kohl's longer 10-minute ovation the day before.

Despite the enthusiasm engendered by the Bremen meeting, there were few illusions among the delegates that Mr Kohl and his party face an uphill struggle to overtake the SPD in the remaining four months to the election on September 27.

"It is a start but not yet a breakthrough," said Volker Rühe, the defence minister and a senior figure in the CDU.

Turks wary on Brussels talks

By David Buchan in Ankara

Turkey refused to give Robin Cook, the visiting UK foreign secretary, an outright commitment yesterday to attend a meeting next week to repair Ankara's severely strained relations with the European Union.

After nearly two hours of talks with Mr Cook, Ismail Cem, Turkey's foreign minister, would not commit himself to going to the planned association council meeting in Brussels on Monday. "We would like it to go ahead during the UK presidency," which ends on June 30, "but only if everything goes as we want," he said.

Mr Cem indicated Turkey was ready to devote the Brussels meeting to purely economic issues, based on an initiative to widen the 1996 EU-Turkish customs union to agriculture and services, but was wary of Greece trapping it into discussing political subjects such as Cyprus and human rights. Theodore Pangalos, Greece's foreign minister, yesterday warned that Athens wanted political issues discussed at the meeting.

Still railing against the EU's failure to treat Turkey as other applicants, Mr Cem insisted: "Our position is that there is discrimination and that for as long as this is not removed limitations on our political dialogue with the EU will remain."

In a later meeting with Mr Cook, the prime minister, Mesut Yilmaz, conveyed even more strongly, according to UK officials, Turkey's "sense of hurt" at being required by the EU to meet special democratic and human rights criteria.

Before he left Ankara, Mr Cook underlined the EU's interest in human rights by visiting the hospital bed of Akin Birdal, the leading human rights campaigner who was shot last week by unidentified gunmen.

Mr Cem called the Cook visit "a big contribution" to improving ties with the EU, which are also stymied by Greece's block on the Ecu375m ($418m) which the EU promised to Turkey to accompany the customs union. Mr Cem reiterated that "the sum of money is not important, but the principle of it is".

Neither the UK nor Turkish ministers were optimistic about Greece lifting its veto on the money soon and Mr Pangalos confirmed yesterday that Greece would continue to block the payment.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

NEWS DIGEST

PENSION FUNDS

Brussels proposal to ease investment restrictions

Mario Monti, the European Union's commissioner for financial services, proposed a directive to relax investment restrictions on Europe's pension funds yesterday, in a third attempt to liberalise the market.

The directive, to be drawn up in outline form later this year, will have the biggest impact on those EU member-states, such as France and Germany, which still set tough limits on funded pension schemes.

Mr Monti told a meeting of EU finance ministers in Brussels yesterday that his directive was likely to "establish an appropriate framework of prudential rules that sets minimum investment safeguards and tackles quantitative restrictions".

He added that these proposals had the backing of most of those who responded to a Commission green (discussion) paper issued last July. Pension funds and fund managers and member states such as the UK, the Netherlands and Ireland have supported moves towards liberalisation.

The main thrust of Mr Monti's argument is that restrictions on assets such as equities reduce the returns available to pension funds.

The need for better returns has become more acute as the EU faces a future in which fewer workers support more pensioners. **Jane Martinson, Investment Correspondent**

FOREIGN OWNERSHIP

Moscow challenges UES curb

The Russian government has initiated a legal challenge in the Constitutional Court to a recent law restricting foreign ownership in the giant electricity utility, United Energy Systems.

In a statement yesterday, it said the law violated rights guaranteed in Russia's 1993 constitution and the civil code. It assured UES shareholders their rights would not be abused.

"No action, that either directly or indirectly violates the rights of ownership, will be taken," the statement read. It is also preparing amendments to propose to the Duma.

President Boris Yeltsin signed the law 10 days ago after parliament overrode his veto. The law restricts foreign ownership of UES and other electric utility companies to 25 per cent. About 30 per cent of shares of UES are currently foreign-owned.

The government has several options: to buy back the shares, issue more shares to dilute the foreign shareholding, or to prevent new purchases of shares by foreigners, which in time would reduce the ownership. **Carlotta Gall, Moscow**

PARIS MAYOR

Tiberi criticises magistrates

Jean Tiberi, the Gaullist mayor of Paris, yesterday issued a bitter attack on magistrates for their handling of Monday's interrogation of his wife, Xavière, over allegations of corruption.

He also linked the questioning of his wife, who was detained for most of the day, to an attempt to discredit President Jacques Chirac, who handed over the mayoralty to Mr Tiberi in 1995. Other opposition politicians also waded into the attack on the magistrates and sought to protect the reputation of Mr Chirac.

Magistrates are investigating Mr Tiberi's wife, who is alleged to have had a fake consultancy contract with one of the regional administrations round Paris. Their inquiry is aimed at uncovering officials of the Gaullist RPR who have been maintained under false pretences on municipal payrolls. Mr Chirac was mayor of Paris from 1977 until he won the presidency. Yesterday there was press speculation he might himself be asked to explain the workings of the Paris administration. **Robert Graham, Paris**

EU PROSPECTS

Slovakia warned over N-plant

Austria's chancellor, Viktor Klima, said yesterday Slovakia risked damaging its European Union membership prospects and the safety of its people if it pursued plans to activate fuel rods at the controversial Mochovce nuclear plant.

Mr Klima, speaking after being briefed by the head of a committee of international experts who visited the plant recently, said Mochovce should remain idle until experts were satisfied it was safe to start operations.

"From the view of the experts, the fuel rods must not be activated now because, in contradiction to agreements made with Prime Minister [Vladimir] Meciar, all the documents have not been made available that would allow us to judge the safety standards of the plant," he told reporters.

The Slovak state-owned monopoly energy producer, Slovenske Elektrarne, said on Monday it planned to activate the fuel elements around May 25, against the advice of experts and environmentalists who say the plant will be outdated, dangerous and unreliable. **Reuters, Vienna**

EU MEMBERSHIP

Slippage in Polish talks

The first stage of Poland's membership talks with the European Union, under which its legislation is checked to ensure it conforms to the EU's body of law, is likely to be completed in June 1999, EU officials said yesterday.

This is six months later than originally expected. But Nikolaus van der Pas, who heads the Brussels negotiating team with six EU applicant countries, and Françoise Gaudenzi, the EU's negotiator with Poland, said the slippage did not reflect any new "major problems" uncovered since the talks started on March 31.

So far the talks have covered telecommunications, broadcasting regulations, research and science and culture.

Both officials, who were on a two-day visit to Poland, said that progress with economic reforms and the training of officials, rather than successful negotiations, held the key to Poland's accession. "Poland will join when Poland is ready to join," Mr van der Pas said. **Christopher Bobinski, Warsaw**

DANISH REFERENDUM

PM backs Yes vote on treaty

Poul Nyrup Rasmussen, the Danish prime minister, is stepping up pressure on the voters ahead of the May 28 referendum on the Amsterdam Treaty, warning that a No vote will mean Denmark has no future in the European Union.

"We can't prevent the other countries from ratifying the treaty. They will quickly call a new summit meeting and re-christen Amsterdam as Amsterdam II. Then what shall we do? We won't have Maastricht to fall back on because that will disappear with the new treaty. We shall be sidelined," he told Danish newspapers.

In other comments in the past few days he has hinted that if there is a No vote, Denmark will have to accept a looser association with the EU, such as the European Economic Area Agreement between the EU and Norway, Switzerland and Iceland.

The most recent Gallup poll, however, showed a majority of 48 per cent in favour of Amsterdam, 35 per cent against and 17 per cent undecided. **Hilary Barnes, Copenhagen**

Ministers spurn plea to delay end of duty-free sales

By Lionel Barber in Brussels

Duty-free shopping within the European Union will be scrapped in July 1999, EU finance ministers reaffirmed yesterday.

A campaign by the powerful duty-free lobby failed to persuade ministers to go beyond offering financial aid. Despite sympathetic noises from Britain, France, and Germany, ministers stopped short of supporting Irish calls for a study on the impact of the abolition of tax-free shopping. This was seen as one of the last chances to delay abolition, which finance ministers agreed unanimously in 1991 as part of efforts to eliminate tax distortions in the EU's single market.

Ministers agreed instead to ask the European Commission to spell out regional aid measures to assist areas such as airports and seaports where duty-free shops have mushroomed.

The Duty-Free Confederation estimates that duty-free sales amount to $7.3bn a year, employing around 140,000 people. The UK accounts for around 25 per cent of the total.

Gordon Brown, UK chancellor, who chaired the meeting, noted that only a unanimous decision by all 15 EU governments could have overturned the move to abolish duty-free. "It was clear that unanimity was not attainable."

Jean-Claude Juncker, Luxembourg finance minister and prime minister, said a retreat would sit oddly with efforts to control excessive tax competition. At least seven other countries stuck to the original decision, according to diplomats.

The Commission argues that in a single market, duty-free sales amount to a huge tax subsidy for the industry and that other alternative sales will spring up for travellers.

But with almost 18m people unemployed in Europe, hard-pressed governments have found it difficult to resist the power of the duty-free lobby. The Duty-Free Confederation argued yesterday that taxpayers would be expected to pay up to $3.8bn for the abolition, and that the UK would lose up to 23,000 jobs.

In line with the effort to eliminate tax distortions, Mario Monti, single market commissioner, will today publish a new directive to introduce a minimum 20 per cent withholding tax on all income from bank accounts and securities held within the EU by EU residents. Alternatively, countries can exchange information about interest payments to EU citizens resident in their jurisdiction.

Behind the shutters Italy's black economy defies government control

Around one-third of workers in the south are employed in 'illegitimate' and often highly successful enterprises, reports **James Blitz**

A hot weekday morning in Grumo Nevano, an ordinary-looking town in the northern suburbs of Naples. The streets are virtually empty, the shutters of all the main shops and blocks of flats are down, there are hardly any cars moving on the streets.

The impression is of a town observing some obscure local holiday. But behind the shutters, explains Luca Meldolesi, there is more activity than one might think.

"This town is home to one of the liveliest black economies in the country," he says. "There are about 10,000 people working illegally on wages of around L1.5m ($850) a month. They can be in clothing, shoes and confectionery. Needless to say, they would rather keep their identities a closely guarded secret."

Professor Meldolesi is an economics professor at Naples university and his in-depth studies of Italy's black economy have made him a figure much respected by the government. Over the last two years, he has spent much time getting to know the people in the black market personally, studying how the largest underground economy in Europe – situated in southern towns such as Naples, Bari, Messina and Catania – operates.

The professor gives examples: there is the small, family-based enterprise near Lecce that manufactures 1.5m ties a year; there is an the ex-policeman in Campania who decided to set up what soon became a hugely successful wholesale vegetable trade; there are the Chinese triads who operate a clothing business in the town of San Giuseppe in the shadow of Mount Vesuvius.

This is an economy that produces occasional stories of child labour, of enterprises that provide goods for well known fashion houses or which are large exporters of gloves, shoes or umbrellas.

"Overall there are probably something like 5m people working in the illegal market, more than a quarter of the working population," he says. But here in the south, around one-third of the workforce is illegally employed while in regions like Calabria, the figure reaches some 45 per cent.

Having achieved its task of taking Italy into the European monetary union, the government is now trying to bring this economy into the open. Illegal business deprives the finance ministry of thousands of billions of lire per year in lost revenues at a time when the country is in the throes of fiscal restraint.

No less worrying, black market activity is an inefficient and unproductive method of operation for enterprises that would otherwise have growth potential. "This is a serious problem for our industrial competitiveness," says a senior figure at the treasury. "But crackdowns don't work and some of the phenomena creating illegality are very hard to tackle."

There are two reasons why illegal trading is strong in Italy. First is the large tax on labour: "legitimate" companies and their employees pay a huge tax "wedge" equivalent to around 100 per cent of basic salaries and many black marketeers know they would go bust if they paid it.

The fiscal tightening required to to qualify to join Emu – as well as the cost of financing Italy's pay-as-you-go pension system – means these taxes cannot quickly be reduced.

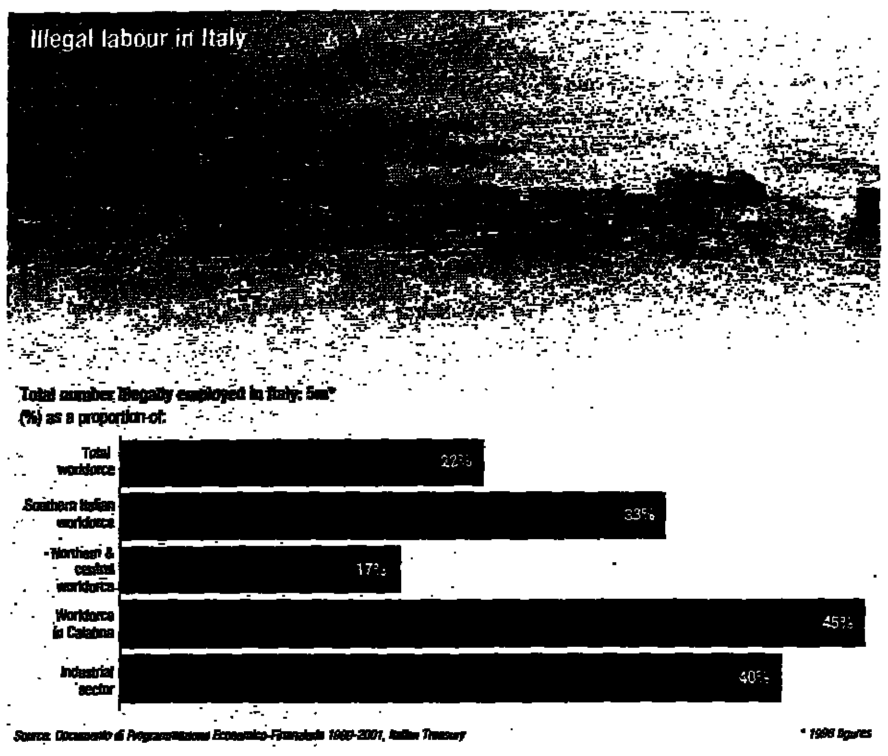
The second problem is the inefficiency of Italian public administration. Istat, the Italian statistical institute, has just published data showing that companies pay an additional 4.5 per cent of production costs just to deal with paperwork generated by local councils. Nor is there much incentive to operate under the umbrella of the law. According to Istat, it takes appeal courts an average of 4.5 years to hear a case from start to finish.

Romano Prodi's government is trying to reform the public administration but change will not come about quickly. It therefore has had recourse to more subtle methods. More often than not, these are directed at what is called the "grey market", entrepreneurs who do a certain amount of manufacturing in the official economy, hiding the fruits of their illegal work behind locked doors.

The finance ministry is said to be considering a temporary amnesty, for example, for companies that come clean and declare that they have been employing unofficial labour over recent years. Success has been achieved in getting craftsmen working in the black economy to apply for subsidised official training schemes. Consideration has also been given to schemes that allow companies to go official, while being given the right to start paying taxes on a graduated scale.

But these are schemes of limited impact. The best hope for eradicating the underground market is that, somehow, the southern economy will grow strong enough to allow these companies to afford the taxes that are due.

"Twenty years ago, there were plenty of illegal organisations doing business in the north-east of Italy," says Professor Meldolesi. "Today, their internationally known owners would not thank you for reminding them of the fact."



Source: Documento di Programmazione Economico-Finanziaria 1999-2001, Italian Treasury

Minister joins campaign to press treasury to drop its spending curbs

A member of the Italian government has added his voice to the chorus of unease over the way Carlo Azeglio Ciampi, the treasury minister, has slashed spending on infrastructure as part of Italy's bid to qualify for Emu, writes **James Blitz**.

In a sign that the treasury could come under pressure to relax spending in its autumn budget, Paolo Costa, the minister for public works, has attacked the way in which Mr Ciampi has frozen cash transfers to his department, even though the sums involved had initially been voted by parliament.

"There is nothing more bureaucratic than our treasury's procedures, which have been invented in order to keep cash flow under control," Mr Costa said. "If a Martian landed here and looked at our procedures, he would think us mad."

Addressing a conference on public finance, Mr Costa acknowledged there had been a collective cabinet decision to give the treasury enhanced control over flows of public money to ensure that Italy qualified for Emu. But he said that "now that we are seeing light at the end of the tunnel", it was time to adopt more "virtuous policies".

The treasury yesterday countered that it was in favour of accelerating investment expenditure, especially in joint private-public sector projects. "If there are limits to how much it is spent, it is because we don't have enough projects coming on stream to qualify for cash subsidy."

Milosevic names his ally as premier

By Guy Dinmore in Belgrade

Yugoslavia's crisis deepened yesterday as President Slobodan Milosevic named an ally, Momir Bulatovic, as prime minister despite warnings by Montenegro, one of the federation's two constituents, that it would refuse to recognise him.

Montenegro's public prosecutor has launched criminal proceedings against Mr Bulatovic for leading a mob that stoned government offices in the capital Podgorica in January. Mr Bulatovic was Montenegro's president until defeated by the pro-western Milo Djukanovic in disputed elections in October.

Mr Milosevic and Mr Bulatovic refuse to recognise the victory of Mr Djukanovic who won pledges of financial aid for Montenegro on recent visits to Washington and Europe, in contrast to Serbia's international isolation.

Analysts said Mr Milosevic wanted to strengthen Mr Bulatovic and his Socialist People's party before crucial parliamentary elections in Montenegro on May 31. Victory for Mr Bulatovic would allow Mr Milosevic to boost his powers by changing the federal constitution.

Mr Djukanovic has threatened secession if Serbia, ruled by Mr Milosevic's Socialist party, tries to dominate its smaller neighbour.

Diplomats were alarmed that Mr Milosevic was stirring up another Balkan conflict just days after the US and its European allies lifted an investment ban on Serbia in response to his willingness to start peace talks with the ethnic Albanian leadership in the restive province of Kosovo.

However, the US-brokered peace process was in danger of collapsing yesterday. Kosovar Albanian negotiators threatened to pull out of talks scheduled for Friday because of reported attacks by Serbian police on civilians and a blockade of trucks transporting food to the province.

THE AMERICAS

MONEY LAUNDERING OPPOSITION SEEKS RESIGNATION OF GUILLERMO ORTIZ, CENTRAL BANK CHIEF, AFTER WASHINGTON'S CRACKDOWN

Shockwaves in Mexico over US 'sting'

By Leslie Crawford and Henry Tricks in Mexico City

The surprise arrest of Mexican bankers and the indictment of three Mexican financial groups on charges of money laundering in the US sent shockwaves yesterday through Mexico's political and banking establishments.

While government officials sought to defend the integrity of Mexico's financial system, opposition congressmen expressed outrage and humiliation at the US "sting" operation, and demanded the resignation of Guillermo Ortiz, central bank governor, and of banking regulators, accusing them of negligence.

"Once again, we must learn from a foreign source about what really goes on in our banking system," said Felipe de Jesús Cantú, a deputy of the conservative National Action party. "The inefficiency of our authorities is shameful."

Dolores Padierna, of the Revolutionary Democratic party, said Mr Ortiz should resign because of his role, in 1991 and 1992, as deputy finance minister in charge of bank privatisations. "Privatisation and weak supervision have transformed Mexico into a money laundering paradise," she said.

Robert Rubin, US treasury secretary, and Janet Reno, attorney-general, on Monday announced the indictment of three Mexican banks and the arrest of 112 suspects following the biggest money laundering investigation in US history. They said a three-year undercover investigation had exposed widespread money laundering by Mexican bank branches along the US border. *In all, 12 Mexican* financial groups have been implicated in laundering money for Latin American drug cartels. Some estimates put the amount laundered through the Mexican financial system at $8bn a year.

The indicted banks – Bancomer, Mexico's largest, Serfin, the third largest, and Confia – yesterday pledged to co-operate with US and Mexican authorities in their investigations.

"The indictment is a call to attention, but it must be placed in its proper context," said Javier Fernández, Bancomer's chief financial officer. "Of the thousands of transactions we handle every day, Bancomer has been accused of 50 suspicious transactions in the space of three years."

Banacci, the second largest financial group, has been implicated but not indicted in the US investigations. It said two employees at its Tijuana branch, on the US border, were arrested in connection with the investigations.

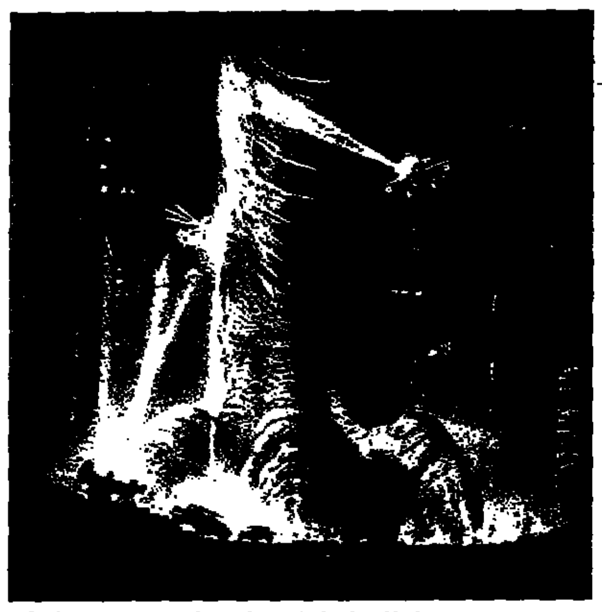
In addition to the indictments, four Mexican banks and Santander of Spain have been summoned by the Federal Reserve to explain their detection procedures against money laundering.

With Mexican cartels now controlling a third of the $50bn market for illegal drugs, according to US government officials, Mexican banking regulators no longer doubt that drug money is being recycled through Mexico's financial system.

In March, the government admitted that Grupo Anáhuac, a small Mexican financial group, had been bought by drug traffickers in 1995.

However, Eduardo Ibarrola, deputy attorney-general, stressed: "The money laundering accusations *should not be seen as an* indictment of the entire Mexican banking system."

It's bigger, it's badder, and it's back... Hollywood is hoping for a monster hit with the new Godzilla



Left: the original Godzilla battles a bionic monster. Right: foot of latest Godzilla dwarfs trucks and people in New York

By Michiyo Nakamoto in Tokyo and Christopher Parkes in Los Angeles

Godzilla is back, bigger and badder than ever, and seemingly bound to trample anything that gets in its way.

Sony Pictures has tried to make sure of that with full-power promotion and bookings for tonight's official US opening on a record 7,363 screens in 3,310 cinemas.

But as all Japan knows, there is more to the 44-year-old fire-breathing monster than backsides on seats.

Hollywood's version may have the legs – in the industry jargon – for a run long enough to return a handsome return on its $120m production costs and luxurious marketing budget.

But it takes more than super-duper special effects and marketing to generate the staying power of the original *Gojira*, released in Japan in 1954, and subject of numerous remakes and revivals, comics and other ephemera until its official "death" in 1995.

Created by Tomoyuki Tanaka, who died last year, *Gojira* captured the Japanese imagination from the outset when the release of the first film coincided with reports that Japanese fishermen had been exposed to the fallout from atmospheric nuclear tests in the Pacific.

"Although it was frightening, it evolved into a movie star that entertained its audience," said Shogo Tomiyama, who produced the last six *Gojira* films.

Although *Gojira* was always destructive, regularly trampling Tokyo as the bullets bounced off its reptilian hide, it gradually emerged that this was no vindictive lizard, just a displaced mutant ill at ease in the presence of man. As Mr Tomiyama said, the durability of its appeal in Japan owed much to the mystery surrounding the beast – its unknown origins and unknown destination when it routinely disappeared at the end of each film.

The inevitable vanishing act was catharsis enough for Japanese cinemagoers, he said. "US entertainment films are about people who overcome difficulties." They prevail – and catharsis is achieved – by killing the interloper, "so the question is whether the [Sony] Tri-Star team has been more creative in that respect."

The answer, of course, is No. Godzilla falls (naturally, not without leaving the door open for a sequel or three), serving US audiences' tastes, true to Hollywood tradition, and, according to Mr Tomimaya's theory, robbing it of a shot at enduring stardom in the *Gojira* tradition.

New York, rather than Tokyo, bears the brunt of the monster's wrath in this week's release. Transformed from its portly, flat-footed role model, it is sleek, sprightly and deeply ugly in the Jurassic Park mould.

Sony's expectations high. *Godzilla*, the latest from Roland Emmerich, the German director, whose *Independence Day* stormed the box office worldwide in 1996, has been the subject of one of the most protracted and least revealing teaser promotions on record. "Size does matter" – the copy line has been seen everywhere from the backs of cinema tickets to the sides of 20-storey buildings on Hollywood Boulevard.

Few can have avoided the fallout of a blitz which has reached into the inner sanctum of US government.

Even Madeleine Albright, US secretary of state, was to make her contribution to the campaign recently when she noted: "Perhaps the most high-level visit [between the US and Japan] will occur... when... Godzilla will come to New York.

"I hope you will excuse me if I decide to skip the state dinner."

Mr Suzuki said: "The old *Gojira* had become rather predictable. There was a limit to what we could do with it, given our budget and technology." He thought there was even a chance Toho would resurrect the series after analysing how audiences reacted to the Hollywood version.

"It is difficult for a frightening monster to last through many sequels," he said, predicting the benign *Gojira* would eventually return to Japan, where he is loved rather than feared.

Radical plan to ensure solvency

By Mark Suzman in Washington

A radical plan to ensure future solvency of the US social security system was launched yesterday by a bipartisan, congressional-led commission. It proposed new individual savings accounts that could invest in the stock market and an increase in the retirement age to 70.

The report is the most comprehensive set of proposals in the growing debate over how best to restructure the troubled pension system to ensure it can cope with expected growth in the number of retirees next century.

On current projections, the main social security fund is expected to go bankrupt by 2030, and President Bill Clinton and Newt Gingrich, House speaker, say they hope to propose legislation next year to solve the problem.

Releasing the new study, John Breaux, Louisiana senator and one of four congressional co-chairs of the National Commission on Retirement Policy, said it was designed to serve as a blueprint for future political discussions. "I'm convinced our plan goes way beyond the usual short-term quick fixes and provides a solid middle ground, where I see the Congressional debate going next year," he said.

The commission, made up of 24 lawmakers, academics and private and public-sector officials, unanimously endorsed the controversial proposal to allow individuals to direct 2 per cent of their existing 12.4 per cent payroll taxes into individual savings accounts.

Under the plan, workers would be offered several savings options for these funds, including putting some of the money into the stock market. Any extra costs of managing the transition between the current system and the new one would be covered by the federal government.

US rates unchanged despite growth

By Gerard Baker in Washington

The Federal Reserve opted yesterday to leave short-term interest rates unchanged, in spite of rapid US economic growth over the last few months and increasingly tight labour markets.

The central bank's open market committee has now left rates unchanged since it increased its target for the federal funds rate by 0.25 percentage points to 5.5 per cent in March last year.

Alan Greenspan, Fed chairman, has repeatedly warned that output growth, which reached an annual rate of 4.2 per cent in the first three months of the year, is too fast and will eventually lead to a resurgence of inflationary pressures if it does not slow.

Signs of inflation have begun to emerge recently.

Most notably, average earnings rose by 4.4 per cent in the year to April, the sharpest increase for 15 years, as unemployment fell to 4.3 per cent, the lowest level in 28 years.

But Mr Greenspan and his colleagues remain confident that special factors – especially warm weather – were behind acceleration of growth at the start of 1998 and that growth will slow this year as the full effect of the Asia crisis begins to be felt by companies.

But if the economic data point to continuing rapid growth over the next six weeks, Mr Greenspan will come under intense pressure from some members of the policy-setting committee to raise rates.

There was some evidence to support expectations of a slowdown in a report yesterday from the Commerce Department, which said new housing starts fell for the second straight month in April, after exceptionally fast growth in the first two months of the year.

ANTITRUST CHARGES COMPUTER MAKERS SEEN IN 'LOSE-LOSE' SITUATION IF THEY TAKE SIDES OVER MICROSOFT

PC industry keeps low profile

By Louise Kehoe in San Francisco

Microsoft's partners in the personal computer industry and even some of its loudest critics have suddenly become wary of taking sides in the wake of government antitrust lawsuits filed against the software industry leader on Monday.

PC companies and others who rallied behind Bill Gates just two weeks ago, warning that any delay in shipping the Windows 98 operating system would be a disaster for the industry and have a broad impact on the US economy, are now distancing themselves from the antitrust debate.

Intel, which dominates the market for microprocessors used in personal computers and is one of Microsoft's closest partners, said it had no comment on the lawsuits or their potential impact on the industry. Intel itself is the target of an antitrust investigation by the Federal Trade Commission.

Compaq Computer, the world's largest PC maker, said only that Microsoft's internet browser "meets the market requirement". The company did not comment on the Justice Department's demand that Microsoft separate its browser from Windows, or alternatively that Microsoft bundle a copy of Netscape Communications' rival browser with every copy of Windows.

Neither was Compaq impressed with the government's demand that Microsoft give PC makers more flexibility in the way they configure the "opening screen" that PC users see when they first turn on their computers.

According to the government's lawsuit this would enable PC makers to highlight software of their choosing – whether from Microsoft or from other suppliers – providing consumers with a wider range of choice.

However, Compaq said it was "pleased with the current arrangement that we have with Microsoft" with regard to the start-up screen.

Dell Computer was similarly reticent. "We've made our thinking about the timely release of Windows 98 abundantly clear," the company said. It said it would await the outcome of the lawsuit and respond accordingly.

Currently, Dell computers are delivered with Microsoft's internet browser. Customers who want to have Netscape software pre-installed must pay extra.

The PC industry is in a "lose-lose situation" if it takes sides on the antitrust issue, industry commentators said. On the one hand, it risks antagonising Microsoft, upon which it relies for critical software.

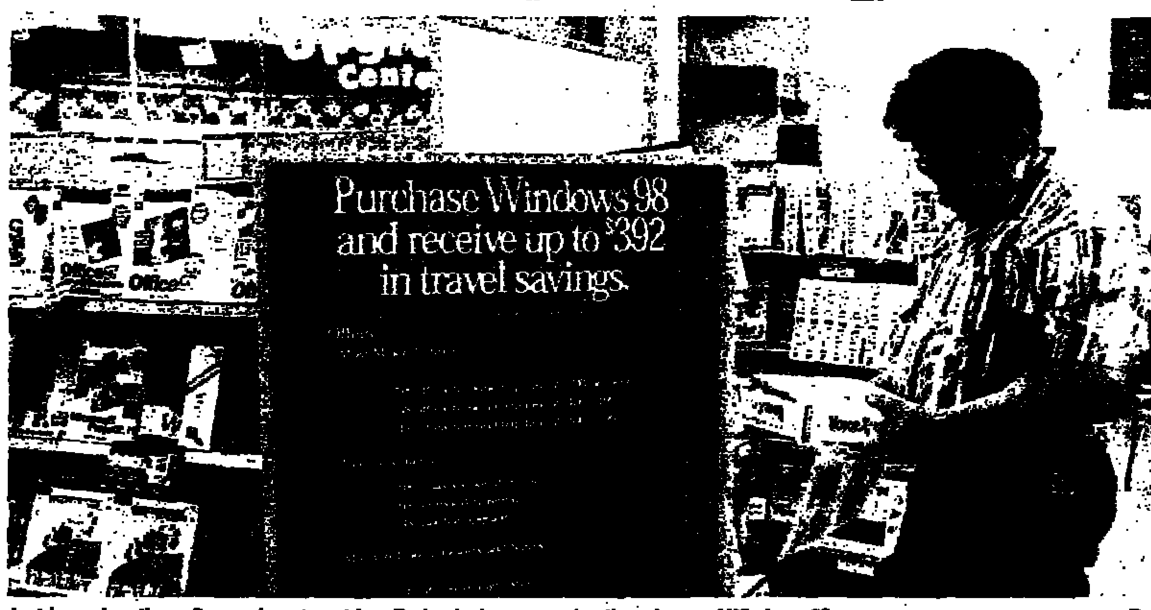
On the other hand, there is some fear that the industry may be viewed as having colluded with Microsoft in alleged anticompetitive activities.

Sun Microsystems, which is involved in a bitter legal struggle with Microsoft over Sun's Java programming language and has been an outspoken critic of Microsoft's business practices, said yesterday that it "applauded" the Justice Department's action. The lawsuit was an action "in favour of innovation and choice in a very important market", it said.

Netscape, which is depicted as the victim of Microsoft's alleged exclusionary practices in the government's lawsuits, similarly expressed its support of the department and the states involved in the legal action.

"We believe government investigators have examined the case thoroughly and would not have brought action against Microsoft unless their investigations had uncovered serious violations of the law," Netscape said.

"We may never know how our company would have developed in the absence of the kinds of anti-competitive behaviour that formed the basis of the government's case."



Just browsing: the software department in a Burbank shop promotes the release of Windows 98 Reuters

Economists' opinions berate Microsoft

By Richard Wolffe in Washington

Two leading US economists have accused Microsoft of harming computer users by adopting anticompetitive behaviour to protect its monopoly in operating software.

The economists said Microsoft's alleged strategy of restricting competition in operating software and internet products would slow the development of new technology and increase prices to consumers.

Their opinions have been filed in court as expert evidence to back the antitrust lawsuits launched on Monday by the US government and 20 states. Antitrust officials have asked a federal court in Washington for an injunction to end Microsoft's allegedly restrictive contracts with computer makers and internet service companies.

Franklin Fisher, economics professor at Massachusetts Institute of Technology, said Microsoft was attempting to protect its monopoly in operating software by using anticompetitive actions against Netscape Communications, its rival in internet software.

In written evidence, Mr Fisher attacked Microsoft's actions for sending a message to all software developers. "Microsoft will impede any innovation that threatens the dominance of Windows," he said.

He added: "If Windows is truly a superior product, it will succeed on its merits. The actions Microsoft is taking will prevent that from being necessary."

David Sibley, economics professor at the University of Texas at Austin, said Microsoft had tried to constrain choice in internet browsers, which navigate the world wide web.

Mr Sibley – a former head of economics at Bell Communications Research – accused Microsoft of giving up profits on browsers as part of a strategy to "blunt" any possible threats to its flagship product, Windows operating software.

He added that unless the current trend in market share was stopped, Microsoft would soon establish a monopoly in internet browsers, which would eliminate any threat to its dominance in operating software.

Microsoft's political backers staged a public show of support in Washington yesterday, condemning the government for attacking Microsoft's business practices.

Patty Murray, senator for Washington state, which is home to Microsoft, said: "A number of Microsoft's competitors have convinced some Justice Department lawyers to try to get in court what they have not been able to get through open competition in the marketplace."

Wall St sees good times for software producers

By Richard Waters in New York

Wall Street yesterday looked beyond the Justice Department's assault on Microsoft, pushing the company's shares back up after the beating they took when news of the antitrust suit first emerged.

The rebound – and the continued rise of other software stocks – appeared to reflect a view that has taken strong hold in recent months: that a new generation of cheap PCs, while posing a threat to some makers of computer hardware, will be good news for software producers. Against that prospect, the Justice Department's legal attack, likely to take years to resolve, was seen as only a distant threat to the maker of the Windows operating system.

Microsoft's shares rose $⅞ in early trading in New York yesterday, a gain of more than 1 per cent, before falling back slightly to $86¼. The day before it had lost $3¾.

The stumble in Microsoft's share price this week remains modest by the standards of the volatile technology industry, and leaves the company's stock still a third higher than its level at the start of the year.

Other pillars of the sector have fallen much harder in recent days, reflecting the tougher times faced by hardware makers. Hewlett-Packard's shares have lost a fifth of their value since the company's surprise profit warning late last week. Intel also lost ground last week on concerns about falling computer chip prices. Both companies have been hurt by the rise of cheap computers.

Despite this, the sector as a whole has remained one of the main engines of the bull market.

Among the latest crop of high-fliers in the technology sector, Dell Computer continued to soar yesterday on hopes that it had avoided the troubles that have hit other PC makers. Its quarterly earnings were due to be released after the stock market closed last night. At $96 1/16, the shares were $53 higher than they had been at the start of the year.

The success of Cisco Systems, meanwhile, continues to reflect the spreading popularity of the internet, which has boosted demand for the routers, switches and other networking equipment on which the internet runs. At $79 11/16, Cisco's shares have risen nearly 50 per cent over the same period.

Department likely to seek quick action

By Louise Kehoe

The first hearing in the Justice Department's landmark antitrust lawsuit against Microsoft is expected to take place in Washington on Friday and the government is expected to push for expedited action on its request for a preliminary court order imposing broad restrictions on the software company.

The case will be heard by Judge Thomas Penfield Jackson, who sided with the government in an separate case against Microsoft when it was accused of violating a 1995 antitrust settlement agreement. That case is now on appeal.

Judge Jackson criticised Microsoft's tactics in the earlier case, in which he concluded that its Windows 95 operating system and its internet browser could easily be separated.

In part, arguments in the new case are expected to be similar. The government is demanding that Microsoft either de-couple its internet browser from Windows 98, the latest version of the software, or include an alternative browser from Netscape, its rival.

In addition, the government is seeking changes to Microsoft's contractual arrangements with PC makers, internet service providers and online services such as America Online.

Microsoft lawyers are already expecting an appeal against Judge Jackson's ruling on the preliminary injunction.

The preliminary injunction phase of the Justice Department's lawsuits could be concluded in weeks, he predicted, but the main body of the case, in which it will have to prove its allegations that Microsoft has abused its market power, could drag on for years.

The similar case against Microsoft filed by 20 state attorneys general and the District of Columbia is likely to be consolidated with the Justice Department case, legal experts said. However, it was not clear how additional issues relating to Microsoft's office productivity software, raised only in the states' case, would be handled.

Food shortage fears grow in Indonesia

By John Ridding in Jakarta

Shipments of grain and other foodstuffs to Indonesia are being severely disrupted by the country's upheaval, raising fears of shortages that would further worsen the country's economic crisis, according to trade officials and bankers.

"Some previous contracts are still coming through. But new deals are grinding to a halt and we are seeing trade being suspended," said a western trade official. "There is not a foreign bank on the planet that would accept a letter of credit from an Indonesian bank at the moment."

Disruption to Indonesia's transport and distribution system, partly the result of recent attacks on ethnic Chinese businesses, has compounded the problem. Further concerns centre on the safety of warehouses and the reliability of transport after last week's riots.

While Indonesia has a large rural economy and is a major rice producer, drought and population pressures have made it increasingly dependent on food imports. "They are looking to import several million tons of rice this year," said one diplomat. "They also need soyabeans, grain, beef and animal feed."

Indonesia's National Logistics Board (Bulog) said it had sufficient supplies of foodstocks to respond to the upheaval. "We have enough stocks for the people's basic needs, and we will continue market operations," said Beddu Amang, head of Bulog. National stocks held 2.4m tonnes of rice, 475,000 tonnes of sugar and 443,000 tonnes of wheat.

With Indonesia's economic crisis deepening and the financial system paralysed, diplomats warned of growing problems. Prices of meat, rice and vegetables in Jakarta have risen by 10 per cent since last week's riots, adding to sharp increases since Indonesia's economic crisis began last year.

Thai exporters are increasingly concerned about payments from Indonesia. "The situation there raises a lot of questions, and risks we are not ready to take," said the Thai Rice Exporters' Association.

"Unless letters of credit are guaranteed by institutions in third countries, such as Hong Kong or Singapore, we have to suspend shipments." Many Thai rice and sugar exporters are demanding payment in cash.

Some of Indonesia's largest suppliers, including Australia and the US, have introduced funding programmes designed to revive trade. These are based on Indonesia's central bank using funds deposited abroad to guarantee letters of credit.

"These programmes have been in place for several months," said one trade official, "but they are moving very slowly."

Suharto compromises, but uncertainty reigns

By Sander Thoenes and John Ridding in Jakarta

Confident and even jocular at times, President Suharto appeared live on Indonesian television yesterday in what observers regarded as another attempt to buy time.

He promised a speedy reform of electoral laws, followed by elections "as soon as possible" for an assembly that would then elect a new president. "I will not run for president again," he said.

By Mr Suharto's standards, this was a big compromise. But dates and details are lacking and observers felt it would be months before the president would be replaced.

To some critics, such as Abdurrahman Wahid, chairman of a large Moslem organisation, that was enough, even as he insisted he still wanted Mr Suharto out. "But if we follow the constitution – we can't do it in one or two days. This will take months," he said. "Please stop demonstrating."

Others believed that Mr Wahid and other Moslem leaders preferred a few months of Mr Suharto to his replacement by B.J. Habibie, the unpopular vice president.

Mr Suharto proved yesterday he still commanded the loyalty of the military's top brass. On Monday night General Wiranto, chief commander of the armed forces, rejected a call by parliamentary leaders for the president's resignation and threatened a military crackdown against protests.

"Suharto's position has strengthened after what Wiranto said last [Monday] night," said Salim Said, a military analyst, rejecting suggestions of a split in the army. "They may have their own egos, but when they face the outside world they are united."

Student leaders had long planned nationwide protests for today and, if the crowd of more than 10,000 students in front of parliament and smaller protests by white-collar workers near the Jakarta Stock Exchange yesterday are anything to go by, they will be large.

"All of us just want Suharto to step down now," said Ari Wibowo, an engineering student protesting inside parliament. "If the majority of the people support reform, one day the army will join us."

Many Jakartans reacted to Mr Suharto's statement by rushing to the markets to stock up on food while shop owners emptied their shelves and said they would close down today, fearing widespread unrest.

Investors at first reacted with relief at the prospect of a peaceful transition, but soon worried that the economy may not survive a protracted change of leadership. "In some ways, the worst outcome is continued uncertainty," a western trade official said.

Nilesh Jasani, regional strategist at S.G. Securities, predicted a fall in gross domestic product of 15 to 20 per cent this year.

Indonesian consultants estimated yesterday that exports of the 20 main non-oil export commodities had dropped 57.7 per cent in March compared with January, a drop in monthly revenues of $1.65bn. This increases fears of a sovereign debt default as reserves fall sharply.

"We are seeing the onset of paralysis in trade and shipping," said Mr Jasani. "I've been in Nigeria and I've never seen anything like this."

The actors to watch in Jakarta's political drama

By Sander Thoenes in Jakarta

Foreign and Indonesian observers alike have lost track of the power struggle in Jakarta and are confined to "Kremlinology" – watching the kingmakers and leaders who meet the president, lobby in parliament or talk behind doors with generals. They are:

Amien Rais. An American-trained academic and chairman of Muhammadiyah, one of the two largest Moslem organisations, Mr Rais has emerged as President Suharto's most dynamic opponent. He has rejected government offers of a compromise and will settle only for Mr Suharto's resignation. Sharp and ambitious, he is distrusted by many in the opposition for his populist talk, his earlier jibes against the ethnic Chinese minority and his ties to some of the generals. But others have come around to his side, for lack of another leader, and are persuaded he is a moderate.

Abdurrahman Wahid. Better known as Gus Dur, Mr Wahid heads the other leading Moslem group, Nahdlatul Ulama, and was the most powerful opposition figure to accept Mr Suharto's request for time yesterday. Recognised as one of Indonesia's leading intellectuals, a moderate and an ally of the reformist military who has warned against the rise of fundamentalist Islam, Mr Wahid left a leadership vacuum when he was struck by a stroke late last year. "He may have decided that a few more months of Suharto would be better than chaos," one diplomat said.

Megawati Sukarnoputri. Mrs Megawati, daughter of the late President Sukarno, has often been mistaken for another Aung San Suu Kyi. But even her fans admit she is a very hesitant leader, pushed by her father's followers into a role she fears to take. She agreed to head the Democratic party but was pushed out in a party struggle engineered by Mr Suharto. "She is still the only one who can lead Indonesia. She has people's power," said an aide.

Harmoko. Long the butt of jokes for his colourless loyalty to Mr Suharto, Mr Harmoko surprised friend and foe on Monday by asking the president to step down and convening a meeting of the four factions of parliament that could lead to an impeachment procedure. However, some believe his challenge was in fact a theatrical play directed by Mr Suharto.

Wiranto. General Wiranto, chief commander of the armed forces, disappointed many moderate opposition groups who thought he would rise to the occasion and persuade Mr Suharto to step down peacefully. Instead, he has made a number of bumbling statements that, to observers, reveal both his continued loyalty to the president and his weakness as a leader.

Prabowo Subianto. Mr Prabowo shot up the ranks of Indonesia's army to become commander of the strategic reserves earlier this year. Much of his rise he owes to his marriage to Mr Suharto's daughter, but he is also recognised as one of the military's sharpest minds. For many observers he is the dark prince in this Shakespearean power struggle, accused of orchestrating last week's shooting of six students and sparking the riots. But he appeared to stick by his father-in-law and Gen Wiranto, preventing a split in the military. "If Suharto goes, Prabowo is finished," one diplomat said.

B.J. Habibie. Indonesia's vice-president would be the constitutional successor to Mr Suharto if he were to step down. He lacks any political base other than his lifelong attachment to Mr Suharto. He has kept a low profile in recent days.

China's engines start going into reverse

Seven consecutive months of falling prices, driven by chronic oversupply, are evidence of an acceleration in the deflationary trend, write James Kynge and James Harding

The herdsman stood by a stream near mountains that fell away like a Chinese painting. But when he was told he lived in a beautiful area, his face darkened.

"Beautiful is beautiful, but life here is poor," he said. The price of his six cows had fallen by two thirds in the past two years and he planned to sell them all this autumn. "I'm getting out of herding. I'll be free," he added.

His condition is common right across China, not only among some 900m people who live off the land but also in primary industries and even among manufacturers making successful new Chinese brands.

Seven consecutive months of falling prices, driven by chronic oversupply, have slashed profit margins and forced farmers and corporations to rein in future output. The deflationary trend is not new, but it appears to be accelerating.

"All across the region – in Taiwan, Japan, South Korea, south-east Asia and China – what we are seeing is a dramatic, and I stress the word dramatic, intensification of deflationary pressures," said Michael Taylor, chief economist, Indosuez W.I. Carr Securities in Hong Kong.

China's deflation was seen last year as a symptom of slowing growth but now it appears to be becoming a cause. Expectations of sizzling demand and rising prices have long been a driving force for corporate investments. But sustained price declines threaten to turn the entrepreneurial engines into reverse.

Evidence of falling prices, both statistical and anecdotal, is overwhelming. The retail price index fell by 2.1 per cent in April, its steepest monthly retreat yet. Price wars have broken out between suppliers of white goods, airline tickets, computers, cars, animal fodder and other products.

Some petrochemicals prices are down by as much as 15 per cent year-on-year, the prices of some steel products have fallen 20 per cent in the last year and the market price of some coal – which generates 75 per cent of China's power needs – has fallen 25 per cent since the end of last year, company executives said.

Chinese leaders have deflected gloomy scenarios of declining growth by saying that spending on fixed assets is to total US$750bn over three years.

But such figures can be misleading. Central government spending accounts for around 2 per cent of total fixed asset investment, meaning that China's leaders have limited direct power over investment. Most of the fixed asset spending in China is now determined by companies and banks, both of which increasingly take their cue from the market.

But it is not only deflation which may cause investors to hesitate. Exporters, which last year provided 20 per cent of gross domestic product growth, are finding competition from south-east Asian rivals increasingly tough, officials said. Exports grew 11.6 per cent in the January to April period, down 15.3 percentage points from the same period a year earlier.

Foreign direct investment in April plunged 19.4 per cent to $3.12bn from the same month a year ago. In the first four months it grew by less than 1 per cent as investments from Japan, South Korea, Indonesia and Thailand fell sharply. Asian nations have provided more than 80 per cent of China's foreign direct investment, which hit a record $45bn last year.

The reform of state enterprises, though it addresses fundamental industrial weaknesses, is also acting as a short-term brake on growth, economists said. In northern parts of China, where the drip-feed of state credit to ailing enterprises has at last been turned off, growth rates are plunging.

Economists said that China was becoming a two-speed economy, with the north and north-east unlikely to achieve the national target of 8 per cent growth this year but the south-east possessing the potential to surpass it. The uneven distribution of wealth is troublesome to a government worried about social unrest.

But it has shown no sign of slackening its mission to reform state enterprises within three years through a programme of staff lay-offs, mergers, acquisitions and bankruptcies.

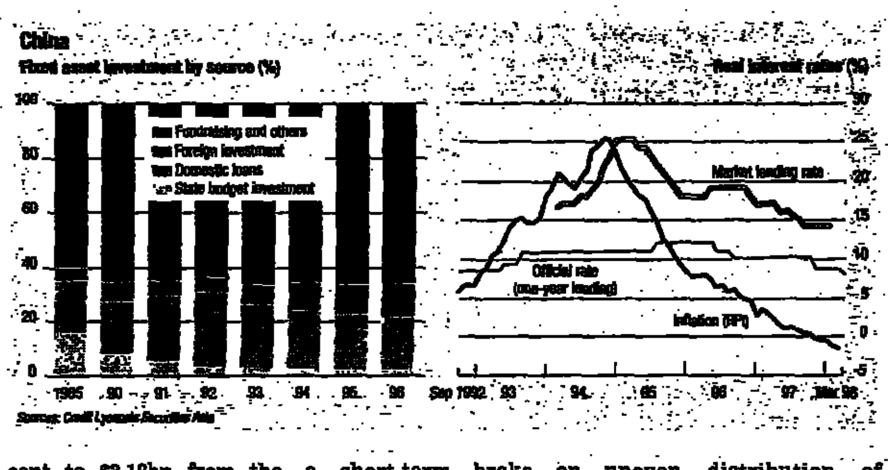
In fact, its response so far has been to quicken the pace of reform: "If you ride a bicycle slowly, you are more likely to fall off," said one Chinese economist.

But many believe that unless Beijing takes urgent measures to stimulate domestic demand, deflationary forces could sap economic vigour just at the time when swelling ranks of restive unemployed will be looking for a job.

Shawn Xu, economist at Merryl Lynch in Hong Kong, identified housing reform and increased bond issuance to fund infrastructure spending as two ways to stimulate demand.

Just last week, China unveiled a list of 117 key infrastructure projects to be carried out this year, more single projects than in any previous year, according to the State Development and Planning Commission.

Also, China plans to increase housing loans to around RMB100bn ($12bn) this year – RMB72bn more than last year – but the official Economic Daily last week described this an "inadequate" to ensure a national growth rate of 8 per cent.



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 20.05.98 | Real Prices for Trading on 22.04.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TR uses of system price £/MWh
0030	14.22	15.69	15.69	0.00
0100	14.22	15.69	15.69	0.00
0130	14.22	16.22	16.27	0.96
0200	14.22	25.13	25.18	0.96
0230	14.22	25.13	25.18	0.96
0300	14.22	25.13	25.18	0.96
0330	14.22	25.13	25.18	0.96
0400	14.22	17.00	17.06	0.96
0430	14.22	17.00	17.06	0.96
0500	13.87	16.22	16.27	0.96
0530	10.60	15.69	15.69	0.00
0600	13.41	15.86	15.86	0.00
0630	13.41	15.86	15.86	0.00
0700	14.57	15.70	15.70	0.00
0730	15.34	21.30	21.47	0.96
0800	21.41	22.15	22.54	0.96
0830	23.42	37.11	37.58	0.96
0900	24.23	37.38	37.63	0.96
0930	30.01	23.84	24.36	0.96
1000	30.37	24.06	24.68	0.96
1030	25.15	24.37	25.02	0.96
1100	25.48	24.86	25.54	0.96
1130	31.29	25.96	27.61	0.96
1200	31.83	40.02	41.21	0.96
1230	31.16	39.61	40.69	0.96
1300	30.24	38.21	38.98	0.96
1330	24.06	29.66	30.10	0.96
1400	28.95	29.20	29.52	0.96
1430	28.79	29.06	29.34	0.96
1500	22.16	28.96	29.24	0.96
1530	22.11	22.06	22.30	0.96
1600	22.23	36.24	36.52	0.96
1630	22.61	36.49	36.63	0.96
1700	33.31	36.60	36.97	0.96
1730	33.03	38.35	38.65	0.96
1800	21.66	35.86	36.16	0.96
1830	21.24	31.82	31.97	0.96
1900	18.94	31.74	31.80	0.96
1930	15.33	31.73	31.78	0.96
2000	10.76	15.71	15.71	0.00
2030	10.70	16.25	16.32	0.96
2100	10.74	33.42	33.49	0.96
2130	30.11	33.42	33.49	0.96
2200	30.11	33.40	33.46	0.96
2230	31.14	31.67	31.72	0.96
2300	31.14	31.66	31.72	0.96
2330	14.67	16.23	16.28	0.96
2400	14.67	16.23	16.28	0.96

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, ... [illegible]

هكذا من الاول

Low prices hit big Kazakh oil project

By Robert Corzine in Atyrau

Shareholders in Kazakhstan's giant Tengiz oil field will have to stump up more cash because low world crude prices have undermined plans to self-finance the ambitious expansion of the country's premier economic project.

Managers at Tengizchevroil (TCO), the Chevron-led operating company overseeing the $20bn development along the shores of the Caspian Sea in western Kazakhstan, confirmed yesterday that current revenues were no longer able to cover planned spending this year, which includes $600m for capital projects and $200m for operating expenses.

Ken Godard, Tengiz's general director, said he had warned shareholders – Chevron and Mobil of the US, the Kazakh government and LukArco, a Russian-American joint venture – that the alternative to a "cash call" was to slow the pace of expansion: "They told me to go ahead as planned," he said.

TCO managers declined to say how much money they had asked for, but they confirmed that spending over the next few months would be particularly heavy as contractors took advantage of summer weather to undertake maintenance and construction projects at the field, where more than 10,000 workers are employed.

Tengiz is one of the 10 biggest oil fields in the world and its development is the centrepiece of Kazakhstan's ambition to become a leading petroleum exporter by the end of the next decade. TCO executives said they were confident that all shareholders would respond positively to the cash call, which would be reviewed each month.

But there is uncertainty whether the Kazakh government, which is struggling to meet pension and state wage payments, will be able to meet its 25 per cent share of the Tengiz costs should low oil prices persist.

Last year, relatively high oil prices enabled TCO to return surplus cash to shareholders. Tengiz's total "economic contribution" to Kazakhstan last year was about $210m in wages, social spending, rail and pipeline tariffs, the distribution of surplus cash and royalties and taxes. TCO forecasts suggest the total return this year will fall to about $175m, with direct payments to the government, such as royalties and taxes, hit hardest because of low world prices. The need for the state to inject funds directly into TCO threaten to erode that figure further.

Rising production, which last week reached a record 200,000 barrels a day, has only partially offset low crude prices. Although operating expenses have fallen from more than $17 a barrel in 1993 to just over $8 a barrel, transport costs can be more than $6 a barrel because TCO has only limited access to pipelines through neighbouring Russia, while the planned CPC pipeline linking the field directly to the Black Sea will not be ready until 2000.

"What Tengiz really needs is a pipeline and higher oil prices," according to Guy Hollingsworth, head of operations. He noted that Tengiz had been largely self-financing over the past three years. But oil prices, which have averaged about $14 this year, would need to rise to $20 to ensure that Tengiz's planned expansion could be internally funded.

Africa has a rare opportunity to prosper, but will it squander it?

After decades of stagnation, there is a chance to rejoin the world economy. **Victor Mallet** reports on southern Africa's economic summit

There were more than a few cynical groans from the assembled chief executives, politicians and economists when Michael Jackson, wearing bright red lipstick, made a surprise appearance at this week's southern Africa economic summit in Namibia and told them to take better care of "the children of the universe".

But his audience of 800 greying senior managers could no more find fault with his bland message than they could disagree with the exhortations by other speakers for further political and economic reform in Africa.

The theme of the summit, organised by the Switzerland-based World Economic Forum, was the need for southern Africa to compete in the world economy after decades of war, stagnation and decline.

Delegates were told that Americans, from President Bill Clinton down, were finally interested in Africa. The continent should make the most of the world's attention to attract investment. Southern African leaders should consolidate democracy, embrace high technology, integrate their economies to give the region more clout, and above all continue economic reforms that had already produced higher growth.

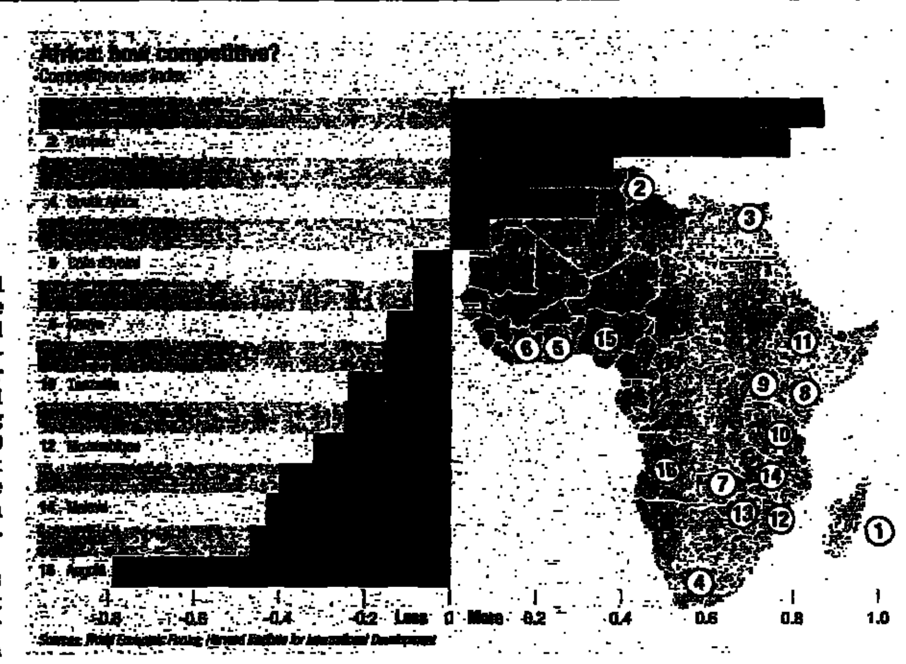
"Despite all the misgivings we may have about going global, it has ceased to be a matter of choice," said Kaire Mbuende, executive secretary of the 14-nation Southern African Development Community. "Going global is a matter of survival."

African presidents and ministers from South Africa to Zambia made all the right noises, embracing "openness", "transparency" and "efficient governance". There was barely a whiff of the inward-looking nationalism or the Marxist-Leninist rhetoric that brought many of them to power.

It took the boyish-looking but combative economist Jeffrey Sachs, director of the Harvard Institute for International Development, to deliver the bad news. "The situation is promising but at the same time dire," he said. "Reforms are too slow. They are too grudging on the one hand and they are receiving insufficient support when they do occur on the other."

Mr Sachs is famous for his scorn of the International Monetary Fund and the World Bank. He earned applause this week for likening the adoption of their failed African structural adjustment plans to "being in the dentist's chair for 10 years", and he noted that they had failed to release the continent from debt or from its dependence on commodity exports.

But Mr Sachs also put his finger on the weakness that could yet derail a recovery already being hailed as "an African renaissance": many African leaders paid lip service to reform and free markets because they wanted to attract international investment, not because they really believed in free-market principles.



The theme was taken up in the two days of private meetings. Business executives complained that some African investment promotion agencies allowed proposals to gather dust for months before considering them. It was true that investment returns in Africa were high, but the "hassle factor" of bureaucracy and corruption sometimes made them long for Latin America or eastern Europe.

African states such as Malawi spoke about openness but then made it extraordinarily difficult for foreign investors to obtain work permits for expatriate staff. Zambia was stalling on the privatisation of its loss-making copper mines. Zimbabwe under Robert Mugabe was corrupt, undemocratic and wavering in its commitment to economic restructuring.

Only President Joaquim Chissano of Mozambique won unanimous praise for his consistent approach to reform; the economy is expected to grow by nearly 10 per cent this year.

But while presidents and economists, including Mr Sachs, called for the cancellation of onerous foreign debts, there was disagreement about whether African governments should be required to commit themselves to further reform in exchange for debt write-offs.

"I'm a little perturbed about the populist groundswell that some of the politicians raised," said Nico Czypionka, group economist of South Africa's Standard Bank, pointing out that some of them had arrived in expensive private jets with large entourages. Governments might be right to ask for debt forgiveness, he said, but they needed "to make absolutely sure that the negative and squandering actions of the past are not going to be repeated in the future".

Almost everyone at the summit agreed on two things: that Africa had a rare opportunity to prosper, and that its leaders needed to take immediate action to entrench reform if they were not to lose that opportunity. "The solution to this problem must come overwhelmingly at this point from within Africa," said Mr Sachs. It is a message, critics might say, that Africa has heard, and ignored, several times before.

NEWS DIGEST

BORDER DISPUTE

Ethiopia warns of danger of all-out war with Eritrea

Ethiopia said yesterday its border row with Eritrea could develop into a full-scale conflict and urged the international community to pressure Asmara into quitting its territory. In a statement issued after a meeting with foreign diplomats in Addis Ababa, Seyoum Mesfin, foreign minister, said Ethiopia's patience had been stretched to the limit and warned "necessary measures" would be taken.

"In case we go into full-scale conflict, due to Eritrea's failure to heed Ethiopia's call for unconditional withdrawal of its troops, Ethiopia would like the international community to appreciate how we handled the conflict imposed on us," Seyoum said.

Ethiopia and Eritrea have disagreed peacefully over their lengthy border since 1993 but the spat turned violent this month with both sides accusing the other of invading the other. Eritrea admits its army engaged Ethiopian forces on May 6 but insists it has merely retaken land which its neighbour grabbed six months earlier. **Reuters, Addis Ababa**

CANCER DRUG TRIALS

Encouraging results for Taxol

Taxol, the cancer drug manufactured by Bristol-Myers Squibb from yew tree needles and twigs, significantly increases survival when used in chemotherapy for ovarian cancer, according to clinical trial results released last night. The American Society of Clinical Oncology meeting in Los Angeles heard that a drug combination including Taxol increased average survival from 25 months to 35 months when used instead of standard chemotherapy.

Data from the trial, which involved 680 women in Europe and Canada, will increase pressure on European doctors to prescribe Taxol. Many have been reluctant because they did not feel the drug's benefits justified its cost – about £7,500 ($12,525) per patient in the UK. **Clive Cookson, London**

ISRAELI 'TORTURE'

Shin Bet methods criticised

Israel's security service, Shin Bet, tortures at least 850 Palestinians a year, according to a report published yesterday by B'Tselem, the independent Israeli Information Centre for Human Rights in the Occupied Territories. But Ami Ayalon, Shin Bet chief, in a recent affidvait to the High Court, claimed "irregular methods of interrogation thwart terrorist attacks".

Based on evidence from former detainees, B'Tselem said prisoners were held in isolation in cramped and filthy conditions, often for several months. Their interrogators used Shabeh, in which the detainee's hands and legs are shackled to a small chair angled to slant forward, while his head is covered with a sack and loud music is played non-stop.

Shin Bet has admitted to using Shabeh, as well as Qambaz, or "frog position" in which the detainee is forced to squat on his toes with his arms tied behind him. If he falls, he is beaten or kicked. Shin Bet also uses violent shaking. The United Nations Committee against Torture this week criticised Israel for the use of torture.

An inquiry set up by Landau Commission in 1987 permitted Shin Bet to apply "moderate physical pressure, under certain circumstances. **Judy Dempsey, Jerusalem**

EXTRA-TERRITORIAL DISPUTE

France wary of sanctions agreement

By Neil Buckley in Brussels

France's finance minister, Dominique Strauss-Kahn, yesterday called the US-European Union agreement resolving the dispute over the US extra-territorial trade laws a "step forward" – but warned that France would remain vigilant on the *issue*.

Mr Strauss-Kahn distanced himself from earlier reported comments by French officials at Geneva's meeting of ministers at the World Trade Organisation which suggested the deal was unacceptable and that France *would oppose it at a foreign* ministers' meeting next week.

The deal on US sanctions laws on companies investing

'This is not the end of the story. But this is progress'

in Cuba, Iran and Libya was reached at Monday's EU-US summit after intensive last-minute negotiations. But it must be approved unanimously by EU ministers, while *US President Bill Clinton* must persuade Congress *to amend sanctions laws to* ensure European companies are not affected.

Speaking in Brussels, Mr Strauss-Kahn made clear France could live with the deal, though it was not completely happy with all its elements. He welcomed the US agreement to lift the threat of sanctions on Total, the French oil company which is involved in a $2bn gas project in Iran. But he added this was essentially an "internal" US decision.

"The French authorities have already considered, as has the EU itself, that American laws could not affect companies from third countries, in line with international law."

He also welcomed the agreement in principle on protection of investments, but warned France would make sure the agreement was followed, and that all extra-territorial or retroactive laws adopted by the US were *blocked*.

"There is not complete *happiness; this is not* the end of the story," said one French official. "But this is progress. We will not reject it."

The French finance minister also welcomed Monday's agreed text on strengthening EU-US trading links, stressing that it stopped well short of the "New Transatlantic *Marketplace*" *(NTM) proposals* adopted by the European Commission in March. France vehemently opposed those plans, blocking their discussion at the summit.

"France notes with satisfaction that the Commission's initial approach has been abandoned in favour of a gradual and pragmatic approach, based on a broad dialogue between businesses and *civil society*," Mr Strauss-Kahn said.

French officials are privately concerned that resolution of the dispute over extra-territorial laws could be seized on by Sir Leon Brittan, EU trade commissioner, as a chance to relaunch his NTM initiative.

They fear sensitive subjects such as agriculture and audiovisual services could not be kept out of such talks – despite assurances to the contrary from the European Commission.

Mr Strauss-Kahn insisted that the NTM's central elements – *a transatlantic free* trade area in services and removal of industrial tariffs – had been "abandoned", with priority given to multilateral rather than bilateral trade negotiations.

MILLENNIUM ROUND EU TRADE COMMISSIONER ENCOURAGED BY APPARENT US SHIFT OF POSITION

Brittan welcomes Clinton trade talks call

By Frances Williams and Guy de Jonquières in Geneva

President Clinton's call for the launch of new global trade talks in the US next year, and for the World Trade Organisation to be more sensitive to environmental, social and consumer concerns, *met a mixed reaction* yesterday from other WTO *members and environment* and labour groups.

Sir Leon Brittan, European trade commissioner, who first launched the campaign for a millennium *round of* trade *negotiations*, said he was encouraged by the apparent shift in the US position.

"I regard this as a step forward. It is a substantial step towards US commitment to a round," Sir Leon said.

The US has previously *favoured sectoral negotiations* and has shied away *from* a comprehensive round, fearing that could force negotiations in all areas to move at the pace of the slowest – most likely to be agriculture which is a sensitive issue for Europe and Japan.

President Clinton, in his speech on Monday to the WTO, said governments needed to consider new ways of negotiating. "We should explore whether there is a way to tear down barriers *without waiting for every* issue in every sector to be resolved before any issue in any sector is resolved," he said.

Charlene Barshefsky, US trade representative, said yesterday that the US had neither endorsed a comprehensive trade round nor sector-by-sector negotiations but wanted all options examined before ministers meet late next year in the US.

The Uruguay Round agreements require negotiations to start on agriculture and *services by the year 2000* but many western governments want other subjects added to the agenda including industrial tariffs, intellectual property, investment and competition policy.

President Clinton's proposals on making the WTO more open to environmental, labour and consumer views, echoed yesterday by President Nelson Mandela of South Africa *and* Britain's prime minister Tony Blair, were *welcomed enthusiastically* by trade union groups.

Tim Fischer, Australia's trade minister, said the WTO system could be derailed by the addition of too many non-trade issues. Indian diplomats said trade ministers had already rejected a trade-labour link at their last meeting in Singapore in 1996 and the subject was closed.

On the environment the WWF-Worldwide *Fund for* Nature praised Mr Clinton's *initiative*, especially *for* more transparency in the dispute settlement process.

But US environmental leaders said results, not rhetoric, would determine whether the Clinton administration would secure the fast-track negotiating authority it is expected to seek next year.

In a speech to the WTO yesterday, President Fidel Castro of Cuba angrily condemned as "confusing, contradictory and threatening" an agreement between the US and European Union aimed at ending their dispute over the US Helms-Burton law against Cuba Reuters

Pact on electronic commerce

By Guy de Jonquières

Members of the World Trade Organisation last night agreed not to impose customs duties on international electronic transactions and to establish a comprehensive work programme to recommend how they should deal with the development of electronic commerce on the internet.

Governments backed a draft declaration calling *for a study of* "all trade-related issues relating to global electronic commerce" to be completed in time for the WTO's next ministerial *meeting* late next year.

The US, with European Union support, has been pressing other WTO members hard to commit themselves to keeping electronic transmissions duty-free, and for action to set guidelines for the development of electronic commerce. However, they initially faced indifference or resistance from many *developing* countries.

The US doubted until recently whether all the WTO's 132 members would be prepared to go along with the proposals, and suggested that approval should be sought *only* from a small group.

However, developing countries appear to have been satisfied by assurances in the draft that the planned study would take into account their special economic, financial and development needs, and that any decision on the work programme beyond the next ministerial meeting would be *taken by consensus*.

EU officials claimed last night that the wording of the declaration meant that it would cover issues such as data protection and privacy, as Brussels wants.

But the US, which believes these matters should not be subject to government regulation, has been keen to have them excluded from the study.

On Monday, nine developing countries led by Pakistan and India blocked quick agreement on a modified *US* proposal in spite of a call from *President Bill Clinton* for support.

"We *cannot allow discriminatory* barriers to stunt the development of the most promising new economic opportunity in decades," Mr Clinton told the WTO gathering on Monday.

TARIFFS CALL FOR REDUCTION

Blair in trade plea for third world nations

By Guy de Jonquières

International efforts to improve protection of the environment and uphold core labour *standards must* not lead to trade barriers against developing countries' exports, Tony Blair, Britain's prime minister, said yesterday.

He told a ministerial meeting of the World Trade Organisation in Geneva that protecting the environment was "perhaps the major challenge we *face as* we head towards the next century", *and should* be reflected in all government policies, including trade.

But "trade rules should not be used to impose unfair standards on developing countries, nor to discriminate against their exports." Efforts to promote labour standards should centre on the International Labour Organisation and should not become a barrier to trade.

The trend towards free trade had become irreversible, and the biggest task facing the WTO was to ensure its benefits were widely shared.

Mr Blair urged WTO members to reduce to zero tariffs on exports from developing countries. The UK was setting aside $10m to help the poorest countries adjust to integration with the global economy, he added.

Economic and social changes caused by technology and globalisation left many people feeling powerless and insecure. The choice lay between resisting change, or acting together to ensure people were equipped

'Governments must resist protectionist pressures'

to handle it effectively. "Resistance is easy to demands, but won't work and will spoil the good globalisation can bring.

"*Laissez-faire* will leave us divided and bitter. Working *together to maximise* the good and minimise the bad is the only realistic option." Governments must resist protectionist pressures and extend trade liberalisation, but not at any cost. They must also maximise benefits of electronic commerce.

Nervous system drugs top sales

By Jenny Luesby in London

World retail pharmacy purchases

12 months to February 1998

$m	US	Japan	Germany	France	Italy	UK	Brazil	Spain	Canada	Argentina	Mexico	Aust/NZ
Cardiovascular	12,708	7,485	3,636	3,684	1,952	1,518	1,806	1,103	1,614	496	238	633
Alimentary/Metabolism	10,958	6,817	2,362	2,851	1,299	1,461	1,158	778	837	816	551	484
Central Nervous System	13,664	2,533	1,743	1,833	959	1,297	667	726	711	485	363	581
Anti-infectives	9,882	4,832	1,249	1,599	1,146	469	770	519	297	407	617	205
Respiratory	6,954	2,832	1,303	1,219	662	1,129	722	516	367	286	398	354
Genito-urinary	4,343	842	877	772	434	434	604	189	225	224	191	121
Musculo-skeletal	2,502	2,830	665	852	477	442	567	244	176	235	201	77
Others	10,188	13,828	2,858	1,778	1,558	1,035	1,146	785	688	594	682	407
Total	66,012	40,988	14,683	13,418	8,488	7,782	6,837	4,884	4,135	3,345	3,683	2,882
% Change*	11	-2	3	2	5	7	5	11	12	4	28	9

Source: IMS Health

* Changes exclude currency movements

The growth in worldwide sales of central nervous system drugs, mainly anti-depressants, outstripped all other types of prescription *drugs in the year to February* 1998. Sales climbed by 13 per cent.

Driven by sharp rises in the US, UK, Spain and Mexico, sales of these brain-affecting drugs grew by $2bn compared with a year earlier to $25.5bn in the world's 13 largest drugs markets.

Meanwhile, the overall value of prescription drug sales in these 13 countries grew by 6 per cent to $178.1bn, according to figures published today by *IMS* Health, the healthcare infor*mation company. In the* world's largest therapeutic categories, cardiovascular and alimentary drugs, sales rose by 7 per cent and 4 per cent to $35.4bn and $29.2bn.

Regionally, the growth of prescription sales remained constant at 11 per cent in the *world's most important* drugs market, the US. However, in Europe, growth accelerated in Germany, the region's largest drugs market, and in Spain.

Spain *is* Europe's most rapidly expanding drugs *market as a result of the* country's ageing population – the elderly account for 74 per cent of Spain's drugs bill. Prescription drug sales in the country rose by 11 per cent in the 12 months to February 1998.

In Germany, the annual *rate of growth climbed from* 2 per cent to 3 per cent between January and February, despite efforts to clamp down on healthcare budgets. Most of the growth came in *prescriptions for anti-infectives*, mainly HIV products, *and anti-depressants*.

According to IMS, prescriptions in Germany have fallen by 6.4 per cent since 1992 in volume terms. However, in value terms they have increased by 10 per cent, with a significant proportion of the remaining pre*scriptions moving to more* expensive products.

Moreover, despite the boost to over-the-counter drugs caused by the replacement of some prescribed drugs with *self-medication*, Europe's OTC sector continues *to suffer from* severe overcapacity, says IMS. Some 3,635 companies are producing OTC drugs in Europe, but just 236, or 6.5 per cent of them, account for 70 per cent of sales.

Since 1994, annual growth rates in the sector have *declined each year. But the* fall was particularly sharp last *year*, when a poor cough and cold market led to a decline of around $70m in OTC sales in Europe.

US warns New Zealand over parallel imports

'Severe consequences' threatened and special review instituted after parliament votes to remove import restrictions

By Gwen Robinson in Wellington

The US has threatened action against New Zealand for its abrupt move to remove restrictions on parallel imports – allowing *importers to bring in brand*-name goods without a franchise.

New Zealand has become the first country in the Organisation for Economic Co-operation and Development to open its market to parallel imports, after parlia*ment voted at the weekend* immediately to lift the ban. The vote *followed* the government's announcement of the measure in the national budget late last week.

Charlene Barshefsky, US trade representative, had convened an immediate *special review of Wellington's* decision, said Josiah Beeman, US ambassador to New Zealand. *Mr Beeman* this week publicly condemned New Zealand's action and warned "severe consequences" of the move that would go "far beyond the New Zealand market".

New Zealand's decision is *particularly sensitive for* US car, pharmaceutical and CD manufacturers, which claim large market shares through exclusive marketing deals in the country.

However, Mr Beeman said the issue was not a bilateral matter. "Rather, it is a prece*dent-setting action* by an OECD nation that could have an adverse impact on overall world trade," he said.

In a sharp response to US protests, Jenny Shipley, New Zealand prime minister, warned the US to stop interfering in New Zealand affairs: "We will not be told how to run our country."

Some domestic business groups have warned the move could trigger a flood of cheap imports and under*mine investment and intel*lectual property rights in the country. But the government insisted that removing the ban would benefit consumers through lower prices and wider availability of goods, which are currently limited through exclusive franchise networks. At the same time, the government would increase protection of copyright holders' rights through stiffer penalties for imports of pirated goods, said John Luxton, commerce minister.

Consumer groups, importers *and retailers welcomed* the move and the Manufacturers' Federation said the "advantages would outweigh the drawbacks" as manufacturers would be able to buy cheaper machinery and equipment.

The Australian government, which has been fighting a similar battle in parlia*ment to remove parallel*

Jenny Shipley: told US to stop interfering in NZ affairs

import restrictions on CDs, hailed New Zealand's decision. "The NZ decision was taken in support of a more open and competitive economy and in the interests of consumers and local businesses," Daryl Williams, Australian attorney-general, and Richard Alston, communications minister, said in a joint statement.

The Australian government's proposed legislation has been blocked in parliament's upper house by opposition parties. The deadlock *revolves around claims* by the recording industry and artists that *the removal* of restrictions would flood Australia with counterfeit CDs.

The Australian government said New Zealand's move showed such claims were spurious, and provided "a ringing endorsement" of the government's determination to ensure "all Australians benefit from cheaper CDs."

Political analysts said the parallel importing decision was motivated by a push to *deregulate the motor vehicle* industry, and was hastily introduced to accompany a decision to abolish vehicle tariffs of 22.5 per cent.

A five-year scheme to phase out vehicle tariffs, which initially stood at 35 per cent, was introduced by the coalition when it gained power two years ago. At the *same time, the government* facilitated tariff-exempt imports of used cars, which grew rapidly last year to make NZ the world's largest market for Japanese used-vehicle exports. Also in 1997, the government decided to accelerate the schedule for *phasing out new vehicle tariffs* to 2000.

But New Zealand's vehicle importers and assemblers, including Toyota, Nissan and Chrysler, were still able to use provisions of the country's copyright legislation to block imports of nearly-new cars. The end of parallel-import restrictions has ended that right. *Motor* industry executives warned this week the move would undermine confidence among foreign investors. "By legislating the substance out of import restrictions, the government has opened the market to every *man and his* dog to dump anything they want in New Zealand," *said David Cumming*, Chrysler Jeep's New Zealand general manager. "In a wider context, the decision will lead people to question their investments in the country if people can sell anything they like off the back of a truck."

New Zealand-based car makers and importers have launched a campaign to protest against the government's decision, claiming the legislation would under*mine intellectual property* rights and remove manufacturers' *rights* to control the image of their brands in the marketplace.

MEETING AT INSEAD PRO-EU MEMBERS OF OPPOSITION PARTY REJECT MOST EUROSCEPTIC SPEECH SINCE THATCHER ERA

Conservative leader heaps scorn on euro

By George Parker in Fontainebleau and Liam Halligan in London

William Hague, leader of the opposition Conservative party, yesterday re-ignited his party's long feud over Europe, when he delivered the most Eurosceptic speech by a leader of his party since Margaret Thatcher.

Mr Hague, speaking in Fontainebleau, France, warned against further European integration, claiming it could lead to the kind of violent, popular revolts seen recently in Asia.

He argued that the single currency could herald a political union, with tax and public spending decisions taken centrally in Brussels. "I fear the European Union is in danger – in danger of accepting without debate a political destination agreed 40 years ago," he said.

His speech to the INSEAD business school infuriated pro-European members of his party, who said it painted a bleak and false picture of an integrated Europe. Kenneth Clarke, who was chancellor of the exchequer in John Major's government, accused his leader of becoming "over-excited about inevitable continental integration." If Conservatives could not reunite over Europe, "we aren't going to win any elections, we aren't going to come back from opposition."

Michael Heseltine, formerly Mr Major's deputy prime minister, said Mr Hague had made "a speech without an audience, which will be greeted by others in Europe with an incredulous shrug of the shoulders."

Mr Hague, a former INSEAD student, insisted his generation had an obligation to map an alternative vision of Europe's future. He stressed the need to enlarge the EU to the east, without requiring new members to join the single currency or to become part of a deeper political union. "The nation state is not an outmoded concept, but is the best for true democracy," he said.

In the most striking section of his speech, Mr Hague claimed that a centralised EU would be undemocratic, and could provoke a rise of the extreme right and popular unrest. "In Asia those countries that have had the most violent reactions to the financial crisis have been those countries that do not have the safety valve of democratic elections," he said. "How will the peoples of Europe react to a recession without the electoral means of changing the people responsible?"

Mr Hague has promised to fight the next election with a pledge not to take the UK into a single currency in the lifetime of the parliament.

But yesterday he said he could never take Britain into the euro if the single currency led to a centralised tax regime. He added: "The single currency is irreversible. One could find oneself trapped in the economic equivalent of a burning building with no exits."

Earlier Mr Hague met French president Jacques Chirac, with whom he had what aides described as "a robust exchange of views".

Editorial Comment, Page 13

Japan's image of UK puts gardens above technology

'Cool Britannia' still has to contend with dated perceptions, reports **Bethan Hutton** from Tokyo

When the Emperor of Japan visits London later this month, millions of Japanese will be deeply envious. Not because the emperor will be in the world's "coolest" city, with all the latest in food, fashion, and music at his feet, but because he may be allowed a privileged glimpse of Buckingham Palace gardens.

Britain has a very strong brand image in Japan, but one set firmly in the past. Just ask any taxi driver: London is a fog-bound city, little changed from the days of Sherlock Holmes; every English lady sits down daily to afternoon tea and scones on floral-patterned china; and English gentlemen invariably buy their suits from Savile Row.

These traditional perceptions can work to the UK's advantage. Export sales of Liberty and Laura Ashley goods, Fortnum and Mason teas and Rover's Mini would not have been so high without them. Britain also benefits from the coachloads of Japanese tourists wanting to eat roast beef, drink tea and visit Beatrix Potter's cottage in the Lake District.

But recently there has been a growing feeling that perhaps Britain's image has relied too heavily on the traditional to the detriment of industries offering modern design and high technology products.

The rebranding of Britain was under way in Japan long before the Labour government launched its "Cool Britannia" initiative. Current efforts to promote Britain can be traced back to the last UK ambassador to Japan and the UK-Japan interparliamentary group – all distinctly "old Britain" from the days of John Major, the Conservative prime minster whose government was ousted by Tony Blair's Labour party last year.

For the whole of this year, the Japanese are being bombarded with information and images of Britain as part of Festival UK98. Although the festival includes plenty of Victorian art, and the usual department store tea and teddy bear promotions, it also aims to promote Britain as a source of advanced science, technology and design.

Centrepieces of the festival include a display of masterpieces from the Tate Gallery in London, an exhibition from the Science Museum, a British Lifestyle exhibition, fashion shows and science seminars.

But Japanese tastes do not always move in concert with publicity campaigns. While The Full Monty played to packed audiences, and Paul Smith suits are selling well, the hottest British export in Japan at the moment is traditional British gardening.

Stores are devoting whole floors to displays of seed packets, trowels and terracotta planters. Television programmes and magazine articles demonstrate how to reshape a few square metres of balcony in the style of an English cottage garden. A recent event at the British embassy in Tokyo, when British gardening experts explained the finer points of creating hanging baskets, drew crowds of people taking detailed notes.

The British Tourist Authority last year published themed tourist maps of the UK showing popular film locations or sites associated with pop groups. But the one most in demand in Japan has been the guide to British country house gardens.

David Quarmby, chairman of the British Tourist Authority, said on a recent visit to Japan that the idea of "old meets new" was the theme for the BTA in Japan. The BTA's office in Japan has sponsored the publication of Channel London, a magazine aimed at teens and twenties, which shows the bits of the capital and its lifestyle that most Japanese tour groups never see. Virgin Atlantic, with its younger, cooler image, carries planeloads of young Japanese to London.

The concern in some quarters is that if Britain tries too hard to push a modern image, admirers of traditional Britain could be put off. Already, word is spreading in Japan that some of the gardens of New Zealand are just as charming.

A Chelsea Pensioner – one of a special group of retired British army veterans – was one of the first of thousands of gardening enthusiasts at London's Chelsea Flower show. Thousands of visitors are expected every day this week at Britain's leading horticultural event Lydia van der Meer

Tony Blair issues trade plea for N Ireland

By John Murray Brown and David Wighton

Tony Blair, the UK prime minister, last night urged world leaders to support the settlement in Northern Ireland by increasing the flow of investment into the region.

As the tempo stepped up ahead of Friday's referendums in both parts of Ireland on the multi-party agreement, Mr Blair used the opportunity of the world trade summit in Geneva to underline the case for a Yes vote. "This prospect may not in itself be a reason for voting Yes. The issues at stake are different. But it is a simple fact that more investment is likely to follow a Yes vote."

Mr Blair, who will today travel to Belfast, the region's principal city, for what will be his third visit in as many weeks, had earlier pledged to clamp down strongly on fringe paramilitaries. "The Irish Government and ourselves will be in a far stronger position to take far tougher measures because people will have spoken," he said.

"My view is that if we get this agreement endorsed in the referendum . . . those splinter groups will find it very very difficult to operate indeed," he said.

Meanwhile in Belfast last night, David Trimble, leader of the Ulster Unionists, the largest pro-British party, shared the stage with John Hume, leader of the moderate nationalist Social Democratic and Labour party, at a special rock concert.

Mr Blair is expected to travel to Belfast today with William Hague, leader of the opposition Conservative party, following the visit yesterday of Paddy Ashdown, the leader of the UK's pro-European Liberal Democrat party.

Downing Street said there was little sign of "don't knows" going over to the No camp. "The No campaign doesn't have momentum," said the prime minister's official spokesman.

Mr Trimble said the Yes camp had had "our wobbly patch; we're over that and the goal is in sight". He welcomed the decision of Jeffrey Donaldson, one of his 10 MPs, to support the party during the election campaign for the assembly – even though Mr Donaldson says he will vote against the deal in the referendum.

Mr Donaldson insisted that his rejection of the deal was not an attempt to oust Mr Trimble. "It is not about personal ambition," he said.

Peace deal, Page 13

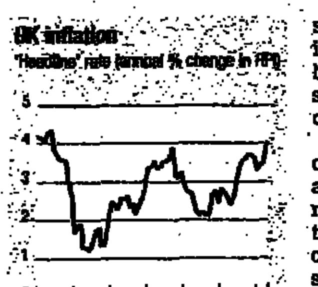
Inflation rises to 4% for first time in six years

By Robert Chote, Economics Editor

Inflation hit 4 per cent for the first time for almost six years last month, threatening further upward pressure on pay settlements.

The decisions in the Budget in March to cut tax relief on mortgage interest payments and bring forward increases in fuel duties pushed inflation up by half a percentage point in April. But excluding indirect taxes and mortgage interest payments, inflation rose only from 2.1 to 2.2 per cent.

Separate figures showed that the government spent £3.4bn ($5.6bn) less than it raised in taxes last month, in part because of income tax on big bonuses. The debt repayment underlined the recent sharp improvement in the public finances, but also suggested that economic activity may be more robust than other official statistics imply.



Underlying inflation – which excludes only mortgage interest payments – rose from 2.6 to 3 per cent in April, taking it further above the government's 2.5 per cent target. The Treasury said the increase was in line with its Budget forecast and that the tax effect would begin to unwind in July.

Financial markets concluded that the figures made another rise in interest rates slightly more likely. The tax increases are supposed to squeeze domestic spending and reduce inflationary pressure. But they could add to inflation if employees secure bigger pay rises to compensate and employers pass the cost on to their customers.

"I don't want another bout of wage inflation in the UK and I think everyone has responsibilities to play in this respect," Gordon Brown, chancellor of the exchequer, said. "Nobody is going to be complacent about inflation".

Employees would have needed a 4.1 per cent pay increase in the year to April to protect their living standards against higher taxes and prices, compared with only 2.6 per cent in the year to March. The Bank of England, the UK central bank, fears that companies might accede to big pay demands, because of the tight labour market.

Marks & Spencer, the retailer, announced yesterday that it would spend £80m giving its staff pay rises of between 4 and 5.25 per cent, plus another £50m in profit-related bonuses.

Competition bill is attacked

By David Wighton, Political Correspondent

The government was attacked yesterday over its competition bill, and the opposition Conservative party is to propose an amendment that would give automatic protection to all existing agreements.

Ian McCartney, the industry minister, was challenged to say whether the competition bill would outlaw newspaper industry agreements such as recommended cover prices and sale-or-return arrangements. He refused to say whether the industry would be affected by its proposed crackdown on anti-competitive practices.

John Redwood, the Conservative party's shadow industry secretary, said business needed to know which agreements would be illegal because under the proposed legislation companies could face large retrospective fines for behaviour deemed anti-competitive. He said that while the Monopolies and Mergers Commission had cleared the newspaper industry agreements in 1993 there was no guarantee they would be allowed under the new legislation.

The government said it was up to the director general of fair trading and not ministers to make such decisions. Officials pointed out that the director general was consulting on transitional arrangements for existing agreements.

Mr Redwood said business was only now waking up to the implications of the bill, which was initially given a broad welcome by the Confederation of British Industry.

The Newspaper Publishers Association, which represents the national titles, is broadly supportive of the bill but has a number of specific worries, including a threat to advertising self-regulation. The CBI has recently called for a number of amendments to the bill.

After a year in power, Blair prepares to reshuffle ministers

Main aim of premier's overhaul is to give cabinet rank to one of his most influential colleagues, **Robert Peston** writes

There has been reshuffle fever almost from the moment the government was elected just over a year ago. Obsession among parliamentarians and among the media with Tony Blair's first ministerial overhaul is possibly excessive because few cabinet members have been disastrous performers and the number of senior casualties will be limited.

It should, however, be significant at the level of junior ministers. "What you will be able to see is who will make it into the cabinet in two years' time and who will be at the forefront of the next general election campaign," said a senior minister.

There could also be a modest structural reform because the employment portfolio may be given cabinet status to replace transport. The prime minister has been on the verge of reconfiguring his team twice: in November 1997 and April 1998. A minister said there was "a chance" that it would now take place next week, although July was "a more likely date".

The catalyst of the speculation is the "Mandelson anomaly" or the supposedly unsustainable position of Peter Mandelson, the government's ambitious and influential minister without portfolio. Mr Mandelson is one of the three or four most influential members of the government, but – having served only a brief frontbench apprenticeship in opposition – he was left out of Tony Blair's first cabinet.

So the primary purpose of an imminent shuffle would be to give Mr Mandelson the cabinet rank to match his powerful role as co-ordinator of policy.

Mr Mandelson's elevation will probably be achieved by making him chancellor of the Duchy of Lancaster. As titular head of a reformed Cabinet Office he would have an enhanced licence to forge common purpose for competing ministerial departments. The current chancellor of the Duchy, David Clark, has been braced for backbench exile for some time. "Many of us think it unfair, but really the last rites have already been said over David," said one of his friends.

A second member of the ministerial living dead is Gavin Strang, the cabinet-ranked transport secretary who was an agriculture minister in the Labour governments of the 1970s. "Gavin has fallen out with his boss [John Prescott, deputy prime minister and chief transport minister]" said a government member. "I can't see him surviving that."

Mr Strang's departure would also lead to the transport post dropping to non-cabinet status – and the downgraded job may be filled by Brian Wilson, the abrasive junior Scottish minister.

In this game of tumbling dominoes, Helen Liddell, economic secretary to the Treasury and the minister at the forefront of clearing up the pensions mis-selling affair, would move to replace Mr Wilson in Scotland as probable apprenticeship for becoming chief minister for Scotland next year.

There is also a chance that Harriet Harman, the social security secretary, will be ousted by Alistair Darling, the Treasury chief secretary – although finding the right replacement for him at a crucial juncture in the government's long term reordering of public spending priorities would be difficult. The creation of a cabinet post for Ms Harman, of women's issues minister, is also an outside possibility – but an adviser to Mr Blair said he was against this.

The prime minister may wish to make good his pre-election promise to upgrade the employment portfolio to a cabinet job, thereby signalling that the education and employment department is one of his top-ranking ministries.

This position could be filled by the current incumbent, Andrew Smith, or by Ian McCartney, the trade and industry minister, or even by Ms Harman. "Smith and McCartney are the two unsung heroes of the junior ranks" said one of their senior supporters. "They are never mentioned as cabinet material but I would not rule them out."

NEWS DIGEST

INWARD INVESTMENT

US healthcare offshoot to open $50m factory

MediSense, a subsidiary of US healthcare group Abbott Laboratories, is to open a £30m ($50m) factory near Witney, 100km west of London. The project will be south-east England's biggest inward investment since Pfizer announced plans for a research facility in Kent, to the east of London, last December.

MediSense, which already has a plant at Abingdon, about 25km from Witney, makes biosensors for systems that allow people with diabetes to monitor their blood glucose levels.

The new plant will allow it to meet demand in the $2bn world glucose testing market which is growing by 15 per cent a year. A £500,000 investment by English Partnerships, the government's regeneration agency, to provide water and electricity services and access roads at the site, clinched the deal in the face of competition from the Republic of Ireland. MediSense, based in Massachusetts, was acquired by Abbott two years ago. **Brian Groom, London**

PROGRAMMING FEES

Broadcaster to be paid $6.7m

British Sky Broadcasting, the satellite broadcaster, yesterday scored a victory over Carlton Communications in the High Court in London. A judge ruled against Carlton for witholding a programming fee and ordered the company to pay BSkyB more than £4m ($6.7m). When BSkyB was forced out of British Digital Broadcasting, a pay-TV group, Carlton and Granada Group, co-owners of BDB, agreed to pay £60m for BSkyB programming. Although Granada paid its share of the fee, Carlton at first witheld the full £30m payment.

Last month, Carlton sent BSkyB a cheque for £25.5m plus value-added tax, but refused to pay the rest. The company argued that it would not pay the remainder because the regulator had prevented BDB taking extra channels from BSkyB. However, a judge yesterday overturned Carlton's case and did not grant leave to appeal. A Carlton executive said: "There was a genuine problem with interpreting this complicated matter, which is why it went to court."

● BDB announced yesterday that Canal Plus, the French pay-TV group, would manage its interactive applications. BDB selected Canal Plus' Mediahighway technology. The company has already chosen a conditional access system, needed to unscramble digital signals, from Seca, a joint venture between Canal Plus and Bertelsmann. **Cathy Newman, London**

TRADE UNION RECOGNITION

Split by leaders likely

A split is expected at today's meeting of senior trade union leaders at the Trades Union Congress over the government's plan to introduce trade union recognition with an insistence on a requirement that 40 per cent of employees in an agreed bargaining unit must support it. The proposal will be in a government policy paper expected tomorrow.

Ken Jackson, general secretary of the AEEU engineering workers' union, intends to urge support for the government. However, the general secretaries of Britain's three largest unions have expressed their opposition to the 40 percent threshold and announced they intend to campaign within the TUC against the move. Bill Morris, general secretary of the TGWU general union has denounced the proposal as "unworkable". John Edmonds, the GMB union's general secretary, has also voiced his anger at the 40 per cent threshold. Rodney Bickerstaffe, general secretary of Unison, said he disliked the government proposal.

John Monks, the TUC general secretary, will attempt to reconcile his colleagues. Although accepting the 40 per cent threshold is much too high to ensure trade unions can secure widespread recognition agreements, he believes that the government's package goes a long way to meet TUC concerns about workplace fairness. **Robert Taylor, London**

ELECTRICITY INDUSTRY

Regulator backs complaints

Customer complaints that power generators have used their market power to maintain higher electricity prices appeared to be supported yesterday by the industry regulator.

Peter Carter, deputy director-general of the Offer regulatory unit, said the fossil-fuel generators had chosen to maintain wholesale prices at the expense of losing market share to independent gas-fired stations and nuclear power.

Mr Carter told a conference organised by the Confederation of UK Coal Producers: "It would have been possible for coal-fired generators to bid into the pool [the wholesale market] and offer contracts at prices which made entry by new gas operators less attractive. They did not do so. They may have calculated that it was more profitable for them to maintain prices than to compete more aggressively for market share."

Electricity customers complain that the largest coal and gas burning generators, National Power, PowerGen and Eastern Group, have used their market power to prevent deeper electricity price cuts. **Andrew Taylor, London**

هكذا امن الأمل

NEW YORK THEATRE 'MR PETERS' CONNECTIONS' BY ARTHUR MILLER

Death of the Subject

Arthur Miller is 82 and shows no signs of slowing down. During the past decade the dramatist has been more fecund than at any time since the 1950s, producing interesting plays (*The Ride Down Mount Morgan, The Last Yankees, Broken Glass*) adept screenplays, (*Everybody Wins, The Crucible*) and the kind of overall feel-good vibes that have made universities, drama groups and human rights organisations around the world seek out his participation. In America, where his work, derided for its preachiness and moral condescension, started falling out of critical favour at least 30 years ago, plays other than *Death of a Salesman* and *The Crucible* are receiving high-profile productions.

Miller has adhered to his lifelong role as one of the theatre's premier investigators of the relationship between the individual and society, an exploration that makes his new play, *Mr Peters' Connections*, at first something of a puzzlement. Unlike the action in his best known dramas, where public issues are unmistakeably embedded in private lives, the events here are primarily internal ones, involving memory, desire, and the nature of discourse.

The question that haunts the title character, Harry Peter (Peter Falk), a retired Pan Am pilot, is: "What is the subject?" He looks around at a world in which one's personal landscape changes more and more rapidly and wonders most of the time what the hell people are talking about. Miller's 90-minute exploration of the question of subject at times resembles a Beckett monologue; but the playwright is too interested in the nature of human conversation to dispense with human foils for his protagonist.

Peters has come to visit a run-down city building, an edifice whose history carries an implicit critique of the drift of American culture; formerly a library for the working classes and then a cafeteria hot-bed of Marxism, it is now an abandoned nightclub. The old man is waiting for his interior-designer wife (Anne Jackson) but as he pores over the interior's furnishings too many memories are triggered – particularly from the 1940s, when he was a navy pilot in the war against Japan – for him to sit peaceably.

Peters continually restates his concern about the Death of the Subject to anyone who wanders in off the street, a group that includes a shop owner, a guitar-toting young composer, and the composer's pregnant friend. While his banter can be quite touching it more often sounds like the out-takes from a seminar in postmodernism. ("There is no subject anymore ... it's just talking.") Only occasionally does Miller express his theme in a way that is sufficiently moving or clever to shake Peters – or the audience – out of a torpor. "How like sex the trumpet is," he says ruefully when an old song erupts in his memory, it "always leaves you kind of sad when it's over." And, later, when a conversation has turned to religion, Falk, who gives a fine old-salt of a performance, comments: "God is precisely what is not there when you need Him."

Unfortunately, too little of the dialogue here registers very resonantly. In view of its character-laden set-up, *Mr Peters' Connections* contains too much rumination, too little revelation. In it there is the occasional reminder of the author's past work, particularly the 1964 play, *After the Fall*, which also features a central character tortured by his past, as well as the glimmer of a kind of beautifully autumnal, thematically summing-up play that Miller may one day create.

If that is not the drama onstage now in New York, one can at least be grateful that the Signature Company – which devotes each season to a single writer – is presenting the new piece so smoothly, under the direction of Garry Hynes.

Brendan Lemon

Signature Theatre, Off-Broadway, New York.

Musical mosaic of Russian history

OPERA

ANDREW CLARK

Boris Godunov
Welsh National Opera, Cardiff

There is nothing new in treating *Boris Godunov* as a parable of Russian history, but there is certainly something original about David Pountney's version for Welsh National Opera. This is the third Pushkin-inspired opera to be performed by a UK regional company in as many weeks, and it is easily the most impressive.

It would not take much to improve on Scottish Opera's *Queen of Spades* and Opera North's *Onegin*, but WNO's new *Boris*, unveiled at Cardiff's New Theatre at the weekend, has enough credibility to withstand more challenging comparisons. It is sympathetically cast and competently conducted, and the WNO chorus resounds in polyphonic splendour. What makes the evening special, however, is the intellectual integrity of Pountney's interpretation.

By opting for Musorgsky's first version – much the most challenging of the various options – WNO makes a promising start. This is *Boris* at its crudest and most uncompromisingly direct. It means no Polish act, no Kromy Forest finale, no songs for the Nurse and Fyodor; but WNO does interpolate the innkeeper's song from the later version, a decision justified by Susan Gorton's gritty portrayal. In this guise the opera amounts to a mere two and a quarter hours' music, which WNO valiantly performs in a single sweep. The production's artistic conviction is unmistakable.

That does not mean it is always convincing. Until Pountney's ideas start to take shape, the staging looks depressingly artificial, and the guards' illiteracy in the inn scene fits ill with modern dress. It also seems a pity to perform the opera in English, dampening the Slavic iconography of music and decor. But having patiently laid out the parameters of their approach, Pountney and his designers, Su Huntley and Donna Muir, follow it through with imagination.

Pountney sees *Boris* as a mosaic of time, with fragments of Russia's past, present and future forming a visual patchwork that is realistic in detail, abstract in overall impact. The stage is dominated by a wall of brutalist architecture, and populated by characters that would fit downtown Moscow today, such as a street-vendor (the innkeeper) and gun-toting security police. The boyars wear New Age gowns, and there's something equally futuristic about Boris's crown and steel-mesh throne, the latter doubling as a symbol of his psychological imprisonment.

Meanwhile, the suffering of Russian people across the centuries is evoked by faces emblazoned on a blood-stained drop-cloth. The references are sufficiently allusive to keep us guessing their meaning and context, but we are left in no doubt that Musorgsky's portrait of the relationship between ruler and ruled is a blueprint for all time.

Pimen chronicles everthing as a neutral observer. His presence, like an eye of history, makes for some unnecessarily cramped settings. But what the production misses in variety and spectacle, it makes up in theatrical flair – above all in the naked truthfulness of the confrontation between Tsar and Simpleton. In the latter role, Peter Hoare was outstanding.

With a voice of teak and the physique of a titan, Willard White's Boris makes his presence amply felt. Not for the first time, however, there's an air of detachment in his acting. During Pimen's narration about the wonder-working Dmitri, White fails to react, and the death scene is melodramatic. The most exciting performance comes from John Daszak, who turns Dmitri into an unscrupulous revolutionary, flirting with the innkeeper one moment and escaping under cover of a bomb the next. It's a pity Daszak was confined to just the one scene, because he sang with radiant clarity and set the stage on fire – all of which augurs well for his Grimes next year.

There is surely something more odious about Shuisky than Neil Jenkins gives him, and Gwynne Howell's Pimen has seen better days; the smaller roles are well taken. Carlo Rizzi keeps the music moving briskly, but seems reluctant to vary the tempo and draw out dynamic contrasts within phrases. He also makes little of Musorgsky's austere Russian timbres: I missed the cavernous resonances of the double-basses, the knife-edged woodwind.

Despite these reservations and an overall lack of fervour in the orchestral playing, this is a *Boris* which will make audiences listen and think.

Voice of teak, physique of a titan: Willard White as Boris, performed here in Musorgsky's challenging first version

OPERA IN CONCERT

The Bonnie and Clyde of the circuit

Richard Fairman reviews opera's most wanted couple in 'La rondine'

The Royal Opera in London should be grateful for small mercies. Not having any money for productions means that it cannot get itself into a tussle with star singers Angela Gheorghiu and Roberto Alagna over whether they like the sets or not. There are not any sets and that is that.

The young couple – opera's "Romeo and Juliet" to their fans, but known as "Bonnie and Clyde" by some in the business – have just rolled into town for a concert performance of Puccini's *La rondine*. They arrived here on the run from a major shoot-out in New York, where the general manager of the Metropolitan Opera has fired them from a forthcoming production of *La traviata* after they refused to sign their contracts without being allowed a veto over the set designs. It is a mark of the bad feeling that he was then prepared to tell the New York Times the how and why of the whole incident in gory detail.

Apparently, the two singers' fees are set at a level which means they are unlikely to play a significant on-going role in the Royal Opera's schedules. The most we can expect is the occasional one-night stand – a sort of smash-and-grab raid which does not leave the budget quite as depleted as a series of staged performances.

Monday's appearance looks to be a typical example. Alagna has gone on record as saying that he wants to concentrate on concerts and recordings rather than live opera, and record companies need artists who are willing to promote their discs, so everybody will have been happy with the choice of a concert performance of *La rondine*, the opera which won the two singers and EMI the coveted *Gramophone* "Record of the Year" award for 1997.

It seemed glib to call this the live gig of the record, but in the event that was what we heard. The singers were outnumbered on stage by the microphones. With the Albert Hall's sound-reflecting canopy raised into the roof to allow for the stage lighting used in the Royal Opera's ongoing performances of *La traviata*, there probably was no option but to give this single performance of *La rondine* with amplification. It is just a shame that the voices were compromised.

What did we actually hear? Allowing for the resonant bloom added by the electronics, Gheorghiu sounded in very good voice as Magda, floating some lovely-quiet singing that was always delicate but had body, even if she was vague about the words. Alagna was more immediate and impassioned, but there were moments when the top of the voice sounded stressed, a bit like Carreras when he was past the first flush of vocal youth.

The supporting cast was different from the EMI recording and included a bright young secondary couple in Francesco Piccoli, a reedy light Italian tenor, as Prunier and Rosemary Joshua as Lisette. Donald Maxwell made his mark as Rambaldo. But the other star of the performance was the Royal Opera orchestra, which played beautifully for Gianluigi Gelmetti, a Puccini conductor of suave style and grace.

Given how few opportunities there are to hear this neglected Puccini score, the evening was on balance worthwhile. The Royal Opera is unlikely ever to stage *La rondine*, though Opera North's production a couple of years ago showed it to be a stronger and more purposeful work than it generally seemed here. Perhaps opera's "most wanted" couple should take it on the road with them.

MUSIC THE BEAUVAIS CELLO FESTIVAL

Gripped by brave new works

An hour or so northwest of Paris, Beauvais boasts a population of 55,000; a nice cathedral – begun in the 13th century, never quite finished (bits of it kept falling off and crushing other bits), but it has the loftiest choir, and a junior cousin of Strasbourg's astronomical clock; and for a week every year, a major all-cello festival.

That is not because there is something funny in the Beauvais water-supply, but because Jacques Bernaert, a passionate, unstoppable cello-enthusiast, happens to live there. With him as artistic director, the sixth *Rencontres d'Ensembles de Violoncelles de Beauvais* concluded last week – simultaneously with Manchester's newer cello-festival. Surely they should put their heads together and agree to different dates?

The thing about cellos is that they own not only a distinguished solo repertoire from the past four centuries, but also the five-octave range to make up satisfying modern ensembles by themselves, from pungent basses to ethereal treble flights. Neither violins, violas nor contrabasses can match them for that. Thus a cello festival can offer not only solo pieces, duets *etc.* but solid "small orchestra" music too, without calling upon any other instruments – though for variety Beauvais sometimes does, with excursions into jazz and Portuguese *fado* too this year.

It was the Brazilian composer-cellist Villa-Lobos who developed their octet-possibilities first, in two of his *Bachianas Brasileiras*. Now there is a professional French "Octuor de Violoncelles", closely aligned to the Beauvais *Rencontres*, which persistently commissions brave new works for itself; also the 10-strong "Cellissime" ensemble and the Amsterdam-based, Spanish-leaning octet "Conjuncto Iberico", who played in Beauvais before I arrived.

In this sixth festival's closing concert the *Octuor* gave premieres of music by Luciano Berio, Betsy Jolas, Kaija Saariaho and Georges Aperghis. All commissioned for Beauvais, with the four composers all at hand; quite a *coup*, and rewardingly various. Between the ensemble-works, the Finnish cellist Anssi Karttunen played shorter solo studies by Berio, Jolas and Saariaho with scorching intensity.

He is among the most brilliantly creative cellists alive. No wonder Magnus Lindberg got away with accepting a commission for a new cello concerto next year while insisting that it should be for Karttunen instead of Yo-Yo Ma, the soloist of first choice! Here, the composers were as amazed, gripped and braced as the rest of us by what Karttunen made of their brief pieces.

As for the octet: Aperghis's *Totem* treated them as much theatrically as musically, as is his wont. There was lots of fury, and some hopelessly clotted sound. I find that both aspects tend to be coarse-grained in such pieces (i.e. the *music* doesn't tempt a second hearing), but the French like that sort of thing: in this case, brandishing hints and echoes of "ancient" dance and chant in a vaguely apocalyptic way.

Saariaho's *Neiges*, inspired by looking out of her window at a Finnish snowstorm, exploits many *outré*, icy textures toward a coolly serene close. Berio's sinuous *Korot* is a lyrical virtuoso piece, as expected: who could respond better than Berio, when asked to write for eight intrepid cellos? He should have thought of it long ago.

Jolas (Franco-American, 72 this year) was struck by the idea that all cellos must somehow be siblings. Accordingly her *Sonate à huit* is a "family drama", with the basic music continually surfacing in different voices, accents and undertones. The dramatic plan seems scatty, moment by moment, but by the end everything draws together – softly, sparely, originally. Jolas *is* an original; I've heard no music so specifically *feminine* as hers, immune to the clichés of "feminist" orthodoxy.

David Murray

INTERNATIONAL

Arts Guide

BATH

EXHIBITION
American Museum
Shaker: The Art of Craftsmanship. Furniture and decorative arts from the the Shaker community at Mount Lebanon. The show traces the origins of the Shaker movement from late 18th century England to 19th century America; to Oct 25

BERLIN

CONCERT
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Bernard Haitink in works by Bartók and Brahms, With soloist András Schiff; May 23, 24, 25

BRUSSELS

OPERA
La Monnaie
Tel: 32-2-229 1211
● Il Ritorno d'Ulisse: by Monteverdi. New production conducted by Philippe Pierlot in a staging by William Kentridge. With the Handspring Puppet Company, at the Lunatheater; May 20, 22
● L'Orfeo: by Monteverdi. New production conducted by René Jacobs and directed and choreographed by Trisha Brown, with designs by Roland Aeschlimann; May 20, 21, 22, 23

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in Beethoven's Symphonies Nos. 3 and 4; May 22, 23
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in a concert performance of Fidelio. With the Chicago Symphony Chorus; May 26

FLORENCE

OPERA
Maggio Musicale Fiorentino
Tel: 39-55-211158
www.maggiofiorentino.com
● Le Comte Ory: by Rossini. New production conducted by Roberto Abbado in a staging by Lorenzo Mariani; ETI-Teatro della Pergola; May 21, 23
● Wozzeck: by Berg. New production by William Friedkin, conducted by Zubin Mehta; Teatro Comunale; May 26

GENEVA

CONCERTS
Victoria Hall
Tel: 41-22-3170017
Orchestre de la Suisse Romande: conducted by Edmon Colomer in works by Turina, Ravel and Falla. With piano soloist Alicia de Larrocha; May 20

LONDON

CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
The Royal Opera: Die ägyptische Helena, by Strauss. Concert performance, conducted by Christian Thielemann. Cast includes Deborah Voigt and Thomas Moser; May 22, 25

EXHIBITION
Tate Gallery
Tel: 44-171-887 8000
Per Kirkeby (b.1938): continuing the series of contemporary sculpture displays, this exhibition includes paintings, sculptures and a specially constructed brick structure by the Danish artist; to May 26

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
● City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts a programme of works by Rameau, Haydn and Beethoven; May 20
● City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts works by Knussen and Mahler; May 21

MOSCOW

THEATRE
Moscow Arts Theatre
Tel: 7-095-229 8760
Persephone: director Robert Wilson makes his Russian debut with his interpretation of the myth of Zeus's daughter, who was abducted by Hades and made queen of the underworld; originally created for outdoor performance, the show runs until May 23

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Ivo Pogorelich: recital by the pianist of works by Rachmaninov, Granados, Prokofiev and Chopin; May 25

NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
New York Philharmonic: conducted by Kurt Masur in Shostakovich's Symphony No. 7, "Leningrad"; Avery Fisher Hall; May 21, 22, 23

EXHIBITIONS
Guggenheim Museum
Tel: 1-212-423 3500
www.guggenheim.org
Visions of Paris: Robert Delaunay's Series. Previously seen in Berlin, this exhibition focuses on the series paintings made by the artist in Paris, of subjects including Saint-Séverin and the Eiffel Tower; to May 24

Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Augustin Pajou, Royal Sculptor: first retrospective devoted to works by the French sculptor (1730-1809), successful in the French Royal Academy of Painting and Sculpture and a favourite of Louis XV and Louis XVI. Includes marble statues, portrait busts, terracotta sketch-models, and drawings including designs for the opera at Versailles; to May 24

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
Chuck Close: retrospective of the American painter, comprising 90 works and ranging across his career; to May 26

Pierpont Morgan Library
Tel: 1-212-685 0008
a.k.a. Lewis Carroll: display of memorabilia marking the centenary of the death of Charles L. Dodgson (1832-1898), mathematician, photographer, and author of Alice in Wonderland; from May 20 to Aug 30

THEATRE
Broadhurst Theatre
Tel: 1-212-239 6200
The Judas Kiss: by David Hare. Richard Eyre directs Liam Neeson as Oscar Wilde in this Almeida Theatre production, transferred from London

Cort Theatre, 138 W. 48th St.
Tel: 1-212-239 6200
Freak: John Leguizamo's autobiographical one-man show about growing up in New York, directed by David Bar Katz

Golden Theatre, 252 W. 45th St.
Tel: 1-212-239 6200
The Chairs: by Ionesco. Théâtre de Complicité/Royal Court production transferred from London. Simon McBurney directs Geraldine McEwan and Richard Briers

OSAKA

EXHIBITION
The Museum of Art, Kintetsu
Tel: 81-6-624 1111
Aubrey Beardsley: more than 200 drawings, prints, posters and books created during the brief period of the artist's fame; to Jun 8

PARIS

CONCERT
Théâtre des Champs Elysées
Tel: 33-1-49525050
Vienna Philharmonic Orchestra: conducted by Seiji Ozawa in works by Brahms and Stravinsky; May 26

ROTTERDAM

EXHIBITION
Kunsthal
Tel: 31-10-440 0300
Look at me: Fashion and Photography in Britain 1960 to the present. First stop for a touring exhibition which tracks the development of fashion photography, with its emphasis firmly on popular culture rather than haute couture; to Aug 9

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Mozart, Lukas Foss, Stravinsky and Berg. With soprano Renée Fleming and horn soloist A David Krehbiel; May 20, 22, 23

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Cleveland Orchestra: conducted by Dohnányi in works by Ives, Mozart and Brahms; May 20
● Cleveland Orchestra: conducted by Dohnányi by Bartók, R. Strauss and Dvorák; May 21

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

EDWARD MORTIMER

Nuclear hypocrisy

How can we expect India and Pakistan to eschew nuclear weapons if the UK and France have them?

Kurt-Georg Kiesinger, otherwise the least memorable of Germany's postwar chancellors, deserves to be remembered for one great remark. The nuclear non-proliferation treaty, he said, "is like a bunch of notorious drunkards inviting everyone else to sign the pledge".

I was reminded of this last week during the explosion of outrage which greeted India's nuclear tests.

India has a consistent stand on this issue. It has always refused to sign the NPT, which it regards as perpetuating a gross inequality between powerful and powerless states: those that have nuclear weapons, and those that do not.

It also refused, quite logically, to sign the more recent comprehensive test ban treaty. Tests are the method by which a state can confirm its status as a nuclear power – to its own satisfaction and, perhaps more important, to the rest of the world.

The five nuclear-weapon states recognised by the NPT had all conducted many tests before they signed the CTBT. France and China both conducted series of tests, provoking worldwide indignation, immediately before announcing their agreement to sign.

The French case, especially, offers some parallels to India's behaviour and might even have inspired it. Jacques Chirac announced the tests shortly after becoming president, just as India's new BJP government has acted soon after taking office. Mr Chirac thereby established his Gaullist credentials, making it easier for him to proceed to slaughter the sacred cow of conscription.

Slaughtering sacred cows would not be the right metaphor for a Hindu nationalist government, but some Indian economists do expect that the nuclear tests will make it easier for the new government to push ahead with economic reforms, which would otherwise run into strong opposition from the right of the BJP. India is also hinting it may change its position on the test ban treaty, which cannot enter into force until India, along with other states that have civilian nuclear industries, has ratified it.

The test ban treaty, unlike the non-proliferation treaty, poses no issue of principle for India, because it does not discriminate between nuclear and non-nuclear powers. The NPT, by contrast, freezes indefinitely an arbitrary distinction based on the status quo of the mid-1960s. The five states that had tested a nuclear weapon before 1967 are recognised as nuclear-weapon states. No one else is allowed to become one.

Under the treaty, however, the nuclear-weapon states did commit themselves to strive for general disarmament. And in 1995, as the price of getting the treaty extended indefinitely, they accepted that this involves the "determined pursuit by the nuclear-weapon states of systematic and progressive efforts to reduce nuclear weapons globally, with the ultimate goal of eliminating those weapons".

The question is, did they mean it? And if so, what are they doing about it? The answer to the second question is that they are doing little or nothing. So, in answering the first, the reasonable conclusion of most non-nuclear states is that they did not mean it. More than that, the current nuclear five assume that the recent crisis with Iraq, by demonstrating the danger posed by "rogue" states, has showed why it is necessary for "civilised" states like themselves to retain a nuclear deterrent.

It is far from clear, however, that nuclear weapons offer any solution to the problems of "rogue states". James Baker, who was US secretary of state at the time of the Gulf war, reveals in his memoirs that the coalition forces in that war decided "not to retaliate with chemical or nuclear response even if attacked with chemical munitions".

Why? For reasons made clear in 1996 by the Canberra Commission on the Elimination of Nuclear Weapons. "Use of nuclear weapons in response to use or threat of use of other weapons of mass destruction," the Commission observed, "would cross an important psychological as well as military threshold, making the management of future conflicts even more uncertain."

Moreover, even the threat of such use against a non-nuclear state is contrary to the "negative security assurances" which nuclear-weapon states have given. And it is clearly illegal under the terms of a world court decision two years ago banning any threat to use nuclear weapons by a state unless "in an extreme circumstance of self-defence, in which its very survival would be at stake".

Many people still find a nuclear-free world hard to imagine. At best it is only a long-term prospect, depending in the first instance on further disarmament negotiations between the US and Russia, which between them have many times more nuclear weapons as all the other nuclear powers together.

Yet that does not let those smaller powers off the hook. Equality with China is the specific reason given by India for needing a nuclear deterrent of its own (just as Pakistan in turn cites equality with India).

France and the UK in particular have a lot to answer for. They, after all, live in the safest part of what is now one of the safest continents, and in the world's strongest and most successful alliance, guaranteed by the only remaining superpower. If *they* cling to an independent nuclear deterrent as supposedly essential to their national security or (even worse) to their international status and self-respect, how can they expect India and Pakistan to do without one?

Edward.Mortimer@FT.com

Leaders who chose to test: Chirac, left, and Vajpayee

LETTERS TO THE EDITOR

Deflation and falling demand likely outcome of free market free-for-all

From Alan Simpson MP and Colin Hines.

Sir, The writer of your editorial, "Golden jubilee" (May 18), lives in a very different world from most of us. For the 70,000 protestors demanding debt relief at the G8 meeting last weekend, reality is the precise opposite of your assertion that the present trading system has "contributed immeasurably to international stability and prosperity".

Indeed, activists from post-nuclear test Delhi were clear that India's actions are essentially an effort to deflect internal unrest from increasing impoverishment caused by globalisation.

The multilateral trade system is not just bad for the majority in the third world. It increases income-inequality and job loss in OECD countries as well. This should be of immediate concern to the business readership of the Financial Times, as we show in our report *Who Will Buy?* released to coincide with this week's 50th anniversary "celebrations" in Geneva.

Global deflation and declining effective demand are likely to be the real consequences of the current free market free-for-all. Deregulation, automation, relocation and the shift of tax revenues from citizen's welfare to corporate welfare are all part of the seriously destabilising forces currently distorting the global economy.

A secure future for the majority (and for business) is to be found more in "protect the local, globally" strategies that rebuild and diversify local and regional economies.

Free trade's 50th should be seen against the problems facing the weekend's G8 summit – the fall-out from Asia's currency crisis, the fall-out from nuclear testing, riots in Indonesia, mafia-marketeering in eastern Europe and 18m jobless in the EU.

Someone ought to question just how much more free-market "success" we can stand.

Alan Simpson,
Colin Hines,
1 Talbot Street,
Nottingham NG1 5GQ, UK

The aged and advantaged

From Professor David R. Cope.

Sir, In his article, "The old world is in need of young blood" (May 9), Joe Rogaly falls prey to simplistic demographic determinism in arguing that Europe will be disadvantaged compared with the US by its impending population age structure.

Europe's "third agers", in general healthier (and wealthier) than any such group in history, should be capable of market-stimulating innovation at least the equal of any other society. Moreover, collectively they can draw on many years of insight and experience – providing the context of a society that has large reserves of temperance and wisdom.

Mr Rogaly also understates the ambivalent attitude of the US population to its demographic future. Already, several powerful environmental organisations there have been riven by profound disputes over whether its current and future population growth is a dominant cause of environmental degradation.

David R. Cope,
flat 402, Rowan House,
9 Greycoat Street,
London SW1P 2QD, UK

The best scenario for Microsoft's future

From Mr Paul Hinton.

Sir, Lex (May 18) states that separation of Microsoft's operating systems business from its applications business would be the worst case scenario for Wall Street. Perversely, if this were so it would strengthen, not weaken, the US justice department's case. Separation of these businesses, while a dramatic act, would be less distorting of Microsoft's ability to compete than, for example, direct regulation of future operating system enhancements.

Thus direct regulation, not separation, should be feared most by Wall Street; unless Microsoft derives supra-competitive profits, for strategic reasons, from running its operating systems and applications businesses under one roof. In this context, separation could be best for consumers.

Paul Hinton,
159 Hoyt Street,
Brooklyn NY 11217, US

Too strong a condemnation of a tried accounting system

From Mr Ron Paterson.

Sir, Jim Kelly likened my firm's defence of conventional accounting to singing the praises of a broken clock – because it is right some of the time ("Fix that broken clock", May 2). He argued that investors want extra information and that annual reports should give it to them, perhaps by supplanting historical costs with valuations or by adding risk disclosures.

However, the fact that these reports do not currently give investors all they would like to know does not mean the clock is broken. You may as well condemn a clock for not forecasting the weather! To expect this of an annual report is to misunderstand its role; it is a report on an expired period from the directors to the members of the company and carries the legal responsibilities for directors and auditors that reflect that function. Readers may well wish to use the accounts as one input to an investment decision, but only foolish investors would expect this to be the sole input.

That is not to say company reporting cannot be improved. But historical cost accounts remain the bedrock of financial reporting around the world and do a better job than their detractors would suggest. By focusing on actual transactions and cash flows, they allow readers a relatively clear insight into the affairs of the companies concerned.

Paradoxically, the introduction of valuations can sometimes cloud that picture more than it clarifies it. Similarly, a clear account of the past can provide a better basis for readers to forecast the future than one that has already impounded the directors' own predictions.

Ron Paterson,
Ernst & Young,
Rolls House,
7 Rolls Buildings,
Fetter Lane,
London EC4A 1NH, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

PERSONAL VIEW HARVEY SAPOLSKY and EUGENE GHOLZ

Arms and the European

Europe could do a lot better than follow American practices in restructuring the defence business. There again, so could America

French intransigence is slowing down the consolidation of the European defence industry. The French want to preserve state ownership in the industry and to prevent the displacement of workers that rationalisation might require. It all sounds extremely retrograde – but the delays the French are causing are actually blessings in disguise.

Europe does not need continent-wide consolidation producing companies that supply defence equipment to Europeans only. Rather, it needs to develop consortia between American and European arms makers. These transatlantic partnerships would then compete for joint weapons projects in a bigger market, that is, the combination of the two main parts of the Nato alliance.

Europeans who argue in favour of consolidation focus on the need to match the scale and efficiency of the recently merged and supposedly rationalised American defence industry.

The problem is that this is not a correct portrayal of the American industry. To be sure, there has been a mammoth wave of mergers, little affected by antitrust measures. Three large firms have formed – Boeing, Lockheed Martin and Raytheon – while many other familiar nameplates such as Rockwell, McDonnell Douglas, General Electric and Westinghouse have disappeared from the defence business. Hundreds of thousands of defence workers have lost their jobs in the US since the end of the cold war.

But the mergers have not significantly reduced the huge excess capacity in the defence industry. This excess accumulated during the military build-up in the 1980s under President Ronald Reagan which doubled the size of the private sector of the industry. Since the end of the cold war, not one production line making a weapons system – a warship, military aircraft or armoured vehicle – has closed in the US. Although several such lines have

switched corporate identity, all are still producing, if more slowly. Despite redundancies, there are still 400,000 more private sector employees working in the defence business now than in 1976, just before the Reagan build-up began.

Closures have not occurred, because defence has become a jobs programme in the US.

During the cold war, the risk of military clash with the Soviet Union was real enough to give the American armed services a large say in the weapons that were acquired. Because of that, it was possible for a firm to fail if it did not heed the interests and needs of its military customers. Many lines closed. Remember companies such as Republic, Curtiss-Wright, Chance Vought, Martin, North American and Fairchild? All were formerly producers of American military aircraft that lost their prime contractor status during the cold war.

Compare what has happened since then. Once the Soviet Union collapsed, the power of military preferences declined relative to those of local communities and their eager-to-please congressional representatives. Clearly, some defence cuts had to be made and were made. But given American society's bias in favour of the private sector, it has been public arsenals, shipyards and bases that have taken the bulk of the budget cutting pressure.

Unfortunately, many European observers seem to believe the hype rather than the reality of the current US defence consolidation. The American industry is often described as lean and newly efficient. As a result, it is portrayed as a threat to continued European weapons exports.

In fact, the new height of efficiency that the American industry has obtained is in lobbying its government for resources. The prime contractors are not so much high-tech experts – although, of course, they make excellent, advanced weapons systems – as they are experts in the political ways of their Congressional customer. European industry, once consolidated, would be only too likely to capitalise on its political power in the same way, avoiding plant closures by binding governments to make-work projects that preserve local employment.

One way that both European and American governments can protect themselves from being exploited by the lobbying efforts of defence companies is to encourage transatlantic weapon competitions among consortia of American and European firms. European navies should define requirements in co-operation with the American navy, European air forces with the US air force, and European ground forces with their American counterparts. Greater efficiency gains will be found by expanding the production runs of similar products, designed for similar military services, than there would be in cobbling together the requirements of the various military branches in another multiservice experiment. The bigger pool of work would help support several rivals in each weapon category efficiently, an unlikely outcome if consolidation is limited to a continental scale.

There is another important reason to favour these cross-Atlantic collaborations. Since the end of the cold war, the US has kept 100,000 troops in Europe as a sign of its commitment to European security. That commitment of forces, though, is untested by crisis and goes against historical precedent. One cannot imagine that American troops will stay much into the new century.

Instead, the likely opportunity to tie the US to Europe will come in joint security planning and weapons purchases. The design of common equipment and the management of joint projects are bonds that can endure.

European governments also share with the Americans an interest in limiting the power of industry lobbyists to produce duplication and unneeded weapons. Why make an F-22 when there is a Eurofighter? Why develop a new large transport aircraft when there is a C-17? Recently, there have even been indications that transatlantic industrial ties may finally be forming. GEC's purchase of Tracor, an American defence electronics firm, is an encouraging sign. Perhaps there can be more progress soon – especially if the recalcitrant French keep intra-European consolidation bogged down in a mire of politics.

Mr Sapolsky is professor of public policy at the Massachusetts Institute of Technology. Mr Gholz is an Olin fellow at the Center for International Affairs at Harvard University

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 0171-873 3000 Fax: 0171-407 5700
Wednesday May 20 1998

Russia's dilemma

Last weekend, Boris Yeltsin participated as a full member at the summit of the new group of eight leading industrial countries. But the country he then returned to is still a shaky emerging economy. Russia's vulnerability to the turmoil elsewhere reflects continued failure to make its monetary and fiscal policies credible.

Since Russia is a large country, heavily dependent on oil and strongly influenced by a corrupt business elite, Indonesia's crisis was bound to bring it to the markets' attention. The pressure has come via the foreign exchange market. To meet it, the central bank has raised interest rates sharply: lombard rates are 50 per cent, from 30 per cent only last week, and real interest rates are around 40 per cent. Not surprisingly, the stock market has plunged – by 22 per cent since the beginning of last week and almost 60 per cent from last October's peak.

Fortunately, the impact of high interest rates on Russia's undeveloped market economy is not that large. It is the effect on the fiscal position that is more immediate and powerful. This is part of a vicious circle. One explanation for the loss of market confidence is worry about Russia's fiscal position. But that is, in turn, worsened by the high interest rates needed to defend the exchange rate.

What are the authorities to do? The response must come on two principal fronts.

First, the lack of any convincing alternative to the exchange rate as the anchor for monetary policy, combined with the frightening east Asian evidence on what happens when pegs collapse, makes a credible commitment to the exchange rate imperative. The central bank must make it clear it will raise rates to whatever level may be needed to hold an exchange rate that is not fundamentally overvalued.

Second, the government must build on its recent success in cutting the fiscal deficit. In the first two months of this year the federal budget deficit was down to only 2.3 per cent of gross domestic product, as a result of higher revenue and lower spending than last year. In the longer run, fiscal credibility must be achieved by curbing spending, since the share of consolidated revenue in GDP, at 30 per cent, is already high by the standards of countries at similar income levels.

Russia has had much bad luck. Every time it may be on the eve of a convincing economic recovery, something moves that prospect over the horizon. It has been unlucky once more. Its best response, however, must be to strengthen the fundamentals still further. It has come a long way already. If its government continues on its present path, it deserves continued outside support.

Hague's lecture

British political leaders have developed an unfortunate habit of crossing the Channel to lecture their European partners. Thus William Hague's Fontainebleau speech yesterday was delivered in the style of his two Conservative predecessors - Margaret Thatcher in Bruges and John Major in Leiden. Tony Blair, the Labour prime minister, speaks from a different text but he too has been known to adopt the reproving tone.

At first glance, Mr Hague's contribution to this tradition contains common sense. He makes the case for market disciplines in preference to post-war corporatism, for lower taxes instead of higher social costs and, above all, for the speedy enlargement of the European Union to the new democracies of the east.

Then it all goes wrong. What promises to be a sensible plea for the nations of the Union to adjust their intregationist ambitions to the mood of the times lapses into the familiar Eurosceptic characterisation of the EU as a plot. Thus Mr Hague accuses its institutions of "taking" key elements of Britain's executive, legislative and judicial authority. The reality, of course, is that such powers as the EU has accumulated were freely transferred by national governments, most notably perhaps by the then Mrs Thatcher in her signature of the Single European Act.

Mr Hague is right, of course, to say Europe cannot replicate the ties and reflexes of nationhood which give Britain, Germany, France or Greece their distinct identity. But then such plots exists only in the nightmares of the Eurosceptics. It was Jean Monnet, the EU's founding father, who declared that he would not create a nation Europe to replace a nation France.

And while other European governments may have been slow to adjust their post-war ambitions to the ending of the cold war, Mr Hague's view of unfettered national sovereignty is rooted in a 19th century view of the nation state.

The calculation here is that a robust rejection of further integration will begin to rebuild the Tory party's electoral support at home. For the same reason he rejects British participation in the single currency for the lifetime of the next parliament. This unique experiment in monetary integration is said to threaten war, the revival of right wing nationalism and much else.

Mr Hague, however, has contrived to underestimate both the pragmatism of the British and the political will of his European counterparts. This is a speech without an audience. In the words of Michael Heseltine, the former deputy prime minister, it will be greeted with an incredulous shrug of the shoulders.

Irish boom?

While attention is focussed on the chance of peace in Northern Ireland, the economy in the south continues to grow at a rapid rate. So rapid, in fact, that worries are mounting that the start of economic and monetary union could be marred by a damaging bout of inflation in the EU's fastest-growing economy.

On the face of it, Ireland looks like a prime candidate for a serious rise in inflation. Output growth averaged nearly 9 per cent over the past four years, and is set to grow by over 8 per cent this year. The trade-weighted value of the Irish punt drifted down by nearly 10 per cent over 1997, which was only partially reversed by the recent revaluation. And by the beginning of next year, when Emu starts, short-term Irish interest rates will have to fall to continental European levels – which means a cut in the repo rate of at least 200 basis points. The inflation rate, which was one of Europe's lowest, is now 2.5 per cent and rising, thanks mainly to the exchange rate effect.

Wages are the most immediate concern. Public sector pay, which has been constrained since 1995 by the Partnership 2000 wage pact, is under most pressure, with strikes now breaking out.

But these pressures are not as great as they might first appear. Yes, there are certainly skill shortages in some areas. But more importantly, there is a large, and growing, pool of labour. The unemployment rate is still 9.5 per cent, and demographic effects combined with net immigration mean that the labour force is increasing at an annual rate of 2 per cent.

The strength of the asset markets presents a greater risk. The stock market index is up 30 per cent this year alone, and property prices have risen by 15 per cent in the last twelve months. The cut in the capital gains tax rate from 40 to 20 per cent in the latest budget only added to the momentum. The markets will not necessarily crash – some of the strength in house prices, at least, is just due to demography. But there is certainly a risk. It might only take a small downturn in growth for earnings expectations to be revised down, triggering an equity market fall. If this pulls the housing market down, the Irish banking system could be the biggest victim.

The Irish economy remains in a healthy state. But the government must face up to the risks it is running. Since monetary policy has to be loosened to join Emu, Dublin must compensate by significantly tightening fiscal policy. This will be difficult, not least because tax cuts are a key weapon in persuading the unions to stick to the wage pact. But in joining the single currency, Ireland has no other option.

Ulster down to the wire

John Murray Brown and **Edward Mortimer** consider the last-minute jitters affecting the Irish peace agreement

The Northern Ireland peace agreement is going from high hopes to a nail-biting finish. This Friday, Ulster will hold what is probably the most important vote in either part of Ireland since the island was partitioned in 1921.

The province's 1.2m voters are being asked to back the accord reached at last month's multi-party talks, setting up an elected power-sharing assembly and new cross-border institutions for co-operation with the Irish Republic.

When the negotiators emerged bleary-eyed into the daylight on Good Friday with the agreement in place, many must have felt that the hard bit was over. Such was the self-confidence in the largest party, the Ulster Unionists, that one adviser even suggested the party should not even campaign for the referendum, but conserve its energy resources for the subsequent election to the Ulster assembly. In the first week of the campaign the party's leader, David Trimble, went to the US to honour a speaking engagement.

If a vote had been taken then, there is little doubt it would have been warmly endorsed. But recent opinion polls have shown a steady drift of unionist voters into the No camp, accelerated after the triumphal appearance of IRA prisoners at Sinn Fein's party conference the weekend before last. Suddenly, the outcome does not appear so certain after all. Unlike 1985 when unionist parties closed ranks in opposing the Anglo-Irish agreement, today the unionist community is split. Predictions are much harder to make.

It is not that the overall result is in doubt. With nationalists strongly in favour, the referendum is certain to be carried even if less than half the larger unionist community vote for it.

But there are big questions about the size of the majority and potentially big differences between the implications of a resounding majority (say, 70 per cent in favour) and those of a more muted approval, with perhaps 60 per cent, implying that a majority of unionists might have voted against.

The political reality is that anything less than an emphatic Yes will be seized on by the opponents of the deal as proof that the unionist community has not given its consent.

It is easy to see why. Northern Ireland has been in this position once before, after the Sunningdale agreement in 1973. On that occasion there was no referendum, but in the new assembly unionists opposed to the deal outnumbered those willing to share power with nationalists. The power-sharing executive headed by Brian Faulkner collapsed after only five months, in the midst of a unionist general strike.

A Yes vote of over 70 per cent this Friday would probably provide enough of a tail wind for Mr Trimble to avoid Faulkner's fate. His deputy, John Taylor – one of the few veterans of Sunningdale still in politics – believes 65 per cent would suffice.

A two-thirds majority remains a possible outcome. Mr Trimble yesterday appeared confident the tide was turning his favour. "We've had our wobbly patch, we're over that and the goal is in sight."

But what if he is proved wrong? The new assembly would still be set up (to do anything else, officials say, would be undemocratic).

But everything else would be changed, in particular the positions of Mr Trimble and the unionists on the one hand, and Gerry Adams and the Republicans on the other. The upshot could be that the assembly would be an empty vessel, a shouting-shop.

Anything short of about 65 per cent could trigger a challenge to Mr Trimble's leadership of the Ulster Unionists. If the "Nos" then did well in the assembly elections to be held on June 25 they would in practice be in a position to subvert the working of the assembly.

They could, for example, block the election of a new chief executive (a sort of prime minister for Ulster). That would mean that even though they could not wreck the power-sharing provisions of the deal, they could frustrate the setting up of the North-South institutions that it provides for. These are a vital part of the agreement for nationalists, and without them the expected Yes vote in the south would become meaningless, since the constitutional amendment dropping the Republic's claim to the north would not take effect. Hence, if the approval was below about 60 per cent, everything could go for naught even though there was a majority and even though the assembly was actually set up.

Such an outcome would also play into the hands of radical nationalists and republicans, who would argue that the agreement had been wrecked by unionist refusal to accept a majority vote (the very principle on which they rely to keep Ulster British). Some unionists believe this has been Sinn Féin's game all along: playing for a stalemate which would provide an excuse for the IRA – or at least republican splinter groups – to revive the war and pitch Northern Ireland into another cycle of violence and destruction. Even if this was not the plan, the Republicans would still have achieved much; at the very least, their rivals, the unionists, would have been plunged into disarray.

'We've had our wobbly patch, we're over that and the goal is in sight'

So how has everything gone from high hopes to these fears in a month? And what are the chances that the vote could, after all, turn out convincingly in favour? In practice, Mr Trimble has seemed uneasy about recommending the deal with any enthusiasm. The constitutional arrangements are complex, and the inevitable compromises, especially the one allowing Sinn Féin leaders to become ministers on the basis of proportional representation, are not easy to sell to a defensive unionist audience, many of whom feel they have been bombed to the negotiating table by the IRA.

The No camp, having boycotted the talks, entered the fray fresher than its opponents. It seized the initiative, exploiting the doubts expressed by senior members of Mr Trimble's party, including a member of his negotiating team.

The main weakness of the No campaign is its lack of a positive alternative to the agreement. But the Rev. Ian Paisley, leader of the Democratic Unionist party, has a neat retort to this argument: "Of course there's an alternative to letting convicted murderers out of jail. Keep them locked up!"

His DUP alone probably accounts for a solid 20 per cent of the total vote. But there are signs the No camp is now mustering support well beyond that, from voters who would normally have little truck with Mr Paisley's anti-Catholic populism.

The main battle is being fought for these so-called "soft No" voters – unionists who initially either welcomed the agreement or were not intending to vote, but are now seriously worried. An important component of this group is the religious vote. All the main churches have remained non-committal, but several prominent clerics have come out against the deal, arguing that it rewards violence.

Among voters aged 18 to 30, by contrast, a poll in the Irish News on Monday suggests there is much more support for the deal than in the population as a whole. Equally critical for the Yes camp, in this age group only 10 per cent said they would not vote, compared with around 20 per cent of the overall population.

Turnout will be critical. In general elections it has varied from 58 per cent in protestant North Down to 92 per cent in the border constituency of Fermanagh and South Tyrone. The disparity underlines the fact that voter apathy tends to be much more widespread among unionists. But government officials believe the turnout this time could be as high as 80 per cent. This is supported by the unusually high number of applications for postal votes from people working outside the province.

Even if the Yes camp succeeds in winning a respectable majority, the battle will not be over. The opposition will have a second chance with the assembly elections five weeks later.

The big question is how far these elections will reflect the referendum result. Many of those persuaded to vote for the first time on Friday may be unwilling to come back and vote for the familiar faces on June 25.

In particular, with an electoral system favouring the bigger parties, those working-class unionists attracted to the more radical politics of the small loyalist parties (which are backing the Yes campaign) may stay at home feeling the mainstream parties have nothing to offer them.

To be able to wreck the assembly by vetoing the election of the chair and key officers, the Paisleyites would need a huge swing away from Mr Trimble, which even on the evidence of recent polls may prove a tall order. The rules require that such key decisions are taken on the basis of a straight majority of both unionist and nationalist members, or a 60 per cent majority comprising at least 40 per cent of each block.

None the less, Sydney Elliott, a political scientist at Queen's University in Belfast, says Mr Trimble will face a hard campaign to regroup his forces for the assembly elections. He may be encouraged by yesterday's statement from Mr Donaldson, who has come to personify the doubts over the deal within the UUP, that after voting No on Friday he would be back working with Mr Trimble on Monday for a strong UUP vote in the assembly. But support on those terms highlights Mr Trimble's next dilemma: will he accept people on his ticket who have defied him in the referendum campaign? Or indeed, will he be strong enough to deny them party endorsement even if he wants to?

Given the autonomy of the Ulster Unionist constituency associations, party officials say there is little he can do to prevent No-campaigners being selected. For Mr Trimble, Friday is the first big hurdle.

But whatever the outcome then, the battle to secure the new deal for Northern Ireland will have only just begun.

OBSERVER

Presidential bid on the line

Antonio Di Pietro, the former Italian magistrate whose anti-corruption investigations unseated a prime minister and shook the foundations of Italian capitalism, is threatening another *tour de force* at recently privatised Telecom Italia.

Now a senator with the ruling centre-left Olive Tree coalition, Di Pietro is threatening to turn up in Turin on June 16 at the shareholders meeting to "defend the rights" of the 1.5m small shareholders.

In his regular column in the weekly gossip magazine Oggi, Di Pietro says the small fry who own 85 per cent of Telecom Italia's capital "count for less than zero". All the levers are pulled by a group of "stable shareholders" – including the Agnelli family – who own 6.16 per cent of the company.

His intervention won't be music to the ears of Gian Mario Rossignolo, Telecom's embattled chairman, who has been trying to adapt the old telephone monopoly to a private enterprise culture – there has been infighting worthy of the Borgias in the executive suite.

Rossignolo has also upset the government – still the largest shareholder – by ditching a strategic agreement with AT&T in favour of a hook-up with Cable & Wireless. The last thing he needs is a people's champion snapping at his heels.

Di Pietro is making himself unpopular with the Olive Tree's top brass by cultivating an independent populist approach, apparently pulling out all the stops to boost his poll ratings for an eventual bid for the presidency. In which case, the votes of 1.5m Telecom Italia small shareholders are not to be sniffed at.

Loudon clear

The Netherlands' revamped legislation on insider trading is among the toughest in the world, says Francis Loudon, the former MeesPierson banker who these days runs bourse watchdog STE.

The STE's annual report, released yesterday, showed that 24 such investigations took place last year. So let's hope that no future probes centre on European Vinyl Corporation, Wegener Arcade or De Drie Electronics. Oddly for a regulator, Loudon is a non-executive director at all three Amsterdam-listed companies, chairing the supervisory boards of the last two.

"Theoretically a conflict is possible," he said yesterday, "and an elegant solution would have to be found." Pointing out that these little earners had the blessing of finance minister Gerrit Zalm, Loudon added mildly: "In the old days we were all part-timers."

On the brawl

There will be a place of honour at the inauguration of the next Philippines president for an American called Patrick Hilton. That's assuming, as most Filipinos do, that Joseph "Erap" Estrada has won – and that Hilton can be found.

Estrada's allies are trying to track down Hilton because he changed the vice-president's life. In 1953 a playground punch-up got them both expelled from the snooty Jesuit-run Ateneo de Manila High School. If Estrada had stuck with the Jesuits he might have become just another lawyer, accountant or banker.

The Jesuits would not have encouraged him to drop out of college and become a high-living, womanising, tough-guy B-movie actor, the career that launched him into politics. Hilton made a mark on Philippines history, as well as on Estrada's nose.

In another sign of confidence in Estrada's victory, President Fidel Ramos has given him a tour of the Malacañang Palace, even introducing him to the servants. "I told him that I would keep them," said a chirpy Estrada. Investors will be hoping for lots more pledges of continuity.

Spun off

Through the ups and downs of Benjamin Netanyahu's leadership of Israel, his top *spinmeister* David Bar-Illan has shown world-class issue of the New Yorker magazine, which carries a profile of Bibi by veteran Pulitzer-prizewinning journalist David Remnick.

Bar-Ilan's reported comments on Sara Netanyahu – "not the most stable woman in the world" – have stirred up a storm. Netanyahu and his cronies have always denied stories about the first lady's neurotic cleanliness and tendency to fire the home help for burning the soup: the interview provides details to back up the reports.

All the premier's men are rallying around Bar-Ilan's denial that he said any such thing. Remnick is standing by his story, the Israeli press is having a field day and press briefings may never be the same again.

Dane graded

Jacques Delors was in vintage form on his return to Brussels yesterday. The highlight of a scintillating hour-long *tour d'horizon* came when the former Commission president was asked what would happen if Denmark voted against the treaty of Amsterdam in the May 28 referendum.

The Danes would ask for more opt-outs, he said. If countries kept doing that, the European Union would turn into a "self-service operation" where everyone could pick and choose. That would be the end of the EU.

All good clean stuff until Delors added with a mischievous grin that countries which took this line were like people who like pornographic movies but don't admit it. That raised a few smiles, though perhaps not from the Danes.

The Financial Times

100 years ago

Playing "Yankee Doodle"
The great New York Life Insurance office urges on the hounds of war in America, and offers the Government ten million dollars with which to buy big guns and blow the Spaniards to smithereens. Simultaneously in Madrid the same company acts as a recruiting sergeant on the other side by letting all insured Spaniards fight, free of extra premium, against the Americans, but not against any other people. So the great office is playing "Yankee Doodle" with one hand and whatever may be the Spanish war chant with the other.

50 years ago

Germany's Unusual Economy
A man in Berlin wanted to move to Frankfurt, but he knew that no accommodation was available. He arranged therefore for a pre-fabricated house to be delivered from the French zone and erected for him in Frankfurt. The payment was made in electric bulbs, which were manufactured in the Russian zone and were obtained by another exchange transaction. Various middlemen came into the deal at various stages. Much of German economic life is based on this type of transaction.

FINANCIAL TIMES
WEDNESDAY MAY 20 1998

THE LEX COLUMN

Minority issue

Mopping up minorities is the latest fashion in corporate Europe. Suez Lyonnaise des Eaux did it this week with Société Générale de Belgique; Axa-UAP did it earlier in the month with Royale Belge. Even Pirelli has streamlined its structure.

This is another sign of shareholder value catching on. In the past, especially in France and Italy, the game was to control as big an empire as possible, but owning all of a subsidiary seemed a pointless way of tieing up limited capital. Now, though, with the game increasingly about boosting the share price, mopping up minorities often makes sense. Total control makes it easier to drive through industrial synergies; it can also eliminate holding company discounts, as outside investors are often deterred by complicated structures. Moreover, insofar as the company has convinced shareholders that it is pursuing their interests, it does not even need to find the cash to execute the transaction; paper will do the job just as well.

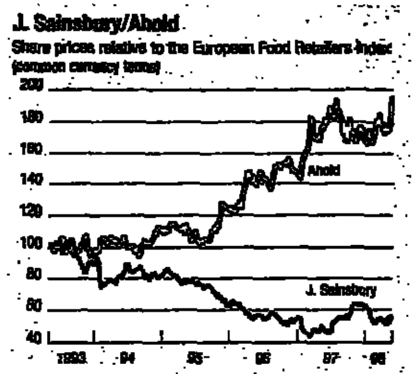
There is much unfinished business. Both Axa and Suez Lyonnaise, for example, have outstanding minorities in some subsidiaries. And when the parent and subsidiary are in different industries – for example, Elf/Elf Sanofi – it would be more sensible to sell out completely than mop up the minority. Moreover, old-style attitudes still linger, particularly in family-controlled groups: Bernard Arnault, Albert Frère and the Agnellis show no sign of abandoning their Chinese boxes.

J. Sainsbury/Ahold

J. Sainsbury may like to believe that the 7 per cent jump in yesterday's share price was down to its brilliant negotiating skills in securing over £375m for its stake in Giant Food. The deal was good, but not that good: earnings are likely to be enhanced by some 1 per cent. In truth, the market's enthusiasm probably owed more to relief that Sainsbury was limiting its exposure to the US market.

It was a mirror image over in Amsterdam, where Ahold was rewarded with a 6 per cent rise in its shares for its plans to buy the whole of Giant. If acquiring Giant makes so much sense for Ahold, why not for Sainsbury? Ahold has spent the last 20 years building up a $15bn business in the US. Yesterday's bid for Giant may not be cheap: it may take two or three years before the return on the investment matches the business's cost of capital. But it will yield more synergies for Ahold than Sainsbury, whose US business will now have sales of some $3bn.

J. Sainsbury/Ahold
Share prices relative to the European Food Retailers Index (common currency terms)



Source: Datastream/ICV

Sainsbury will now have to explain quite what its US strategy is. Arguably, as of yesterday, it has strengthened the market power of one of its rivals. And a glance at the two companies' relative share price performance indicates Sainsbury investors have less faith in it than do Ahold's in their company. Shareholders in UK retailers hold bad memories of their companies' forays into the US. And Sainsbury's own recent troubles with Shaw's can only have reinforced their disaffection.

Brazil

Brazil has resumed its shaky progress towards fiscal rectitude. Having lost an early vote on key civil service reforms, the government has succeeded in forcing the introduction of a minimum retirement age through Congress. Since some civil servants start drawing full pensions in their mid-40s, this should save a worthwhile sum.

And not before time. Spiralling interest payments and a slowing economy mean the budget deficit is now running at an unexpectedly high 6.5 per cent of gross domestic product. To bring the situation under control, the government will have to pull off the sale of phone network Telebras, set to raise $20bn, on a tight timetable. And there is already talk of the need for a second round of social security reforms if President Fernando Henrique Cardoso is re-elected in October.

If all goes according to plan, the combination of reform and privatisation should bring down next year's deficit, allowing a cut in interest rates and thus a further deficit reduction. But investors are not betting on such a virtuous circle yet – the troubles in Indonesia are a reminder of Brazil's vulnerability. A measure of the market's scepticism is that real interest rates are still a staggering 20 per cent, despite substantial monetary easing since last autumn's crisis. That is likely to keep the lid on Brazil's stock and bond markets.

Marks and Spencer

When Marks and Spencer's pre-tax profits broke through the £1bn barrier in 1996-97, the super reliable retailer's shares were on a roll. What seems strange now is that it was ever thought that such a mature, high-margin business could continue to increase profits at a double digit rate. In the past year, two things have caught up with it: additional competition at home and its, perhaps understandable, caution in expanding abroad. As a result profits seem stuck at £1.1bn-£1.2bn until the next millennium, hence the stock's underperformance.

Yet M&S has rightly retained a premium rating to the sector. No one doubts the strategy of increased investment. The lower risk tranche of the spending – including conversion of UK stores bought from Littlewoods – should pay off first. It will be more difficult to milk decent returns overseas, as illustrated by last year's drop in profits outside the UK. Such uncertainty could cause more turbulence in the shares. Another company reporting yesterday, the caterer Compass Group, says it took a good two years before its transformation into an international player was reflected in the share price. Against this background, and with retail conditions hardly easy in the UK, M&S might be tempted to take the foot off the international accelerator. It should not. Indeed with its minimal debt level, there is a case for bolder expansion, including continental acquisitions.

Posco looks for strategic link with Nippon Steel

Korean group's equity swap plan 'defence against corporate raiders'

By Michiyo Nakamoto in Tokyo and John Burton in Seoul

Pohang Iron and Steel Company, the South Korean steelmaker, has proposed an equity swap with Nippon Steel of Japan that could lead to the world's second largest and largest steel companies forming a strategic alliance.

Posco said equity sharing would help defend it from foreign corporate raiders once the company was privatised. "Should Nippon Steel agree to the deal, the two companies can enter into a mutually protective arrangement," it said. The Korean government plans to sell its 33 per cent stake in Posco, partly through a rights issue on the New York Stock Exchange, once privatisation plans are approved by the end of June.

Nippon Steel confirmed yesterday that it had been approached by Posco about the possibility of swapping equity but said such a deal would depend on the Korean government's plans for Posco. "There have been discussions but nothing specific has been decided. But we will have to wait and see how [foreign ownership] rules are changed. We have not started formal talks," Nippon Steel said. Foreign ownership of Posco is limited to 30 per cent, which is nearly fully subscribed.

An equity swap between the two largest steelmakers would pose a formidable challenge to other steelmakers, analysts said.

Toru Nagai, industry analyst at Morgan Stanley in Tokyo, said: "An alliance between the two largest steelmakers would be a blow to any other steelmaker, particularly those who had hoped to tie up with one or the other in the Asian market."

Mr Nagai expected any share swap to involve between 10 per cent and 20 per cent of Posco equity. It would benefit both companies by enabling them to avoid excess competition in Asian markets as demand weakens due to the region's economic turmoil. Kenichiro Yoshida, industry analyst at Solomon Smith Barney in Tokyo, said: "The Asian markets are practically dominated by Japanese steelmakers and Posco." Posco produced 26.4m tonnes of crude steel in 1997, slightly less than Nippon Steel.

Although Nippon Steel and Posco are industrial rivals, they have close relations dating from 1969, when the Japanese company helped its Korean rival build its business by providing technical support and manufacturing equipment.

The proposal by Posco reflects the influence of its founder, Park Tae-joon, who spent years in political exile in Japan before returning last year to Korea, where he heads a minority party in the new coalition government. Mr Park, who was forced to resign in 1993 as Posco head by a previous government, has quickly reasserted his control over the steelmaker by appointing a former colleague, Yoo Sang-boo, as chairman.

Russia raises interest rates to 50% in bid to shore up rouble

By Carlotta Gall in Moscow

Russia's central bank raised interest rates to 50 per cent yesterday to shore up the rouble following recent pressure on state treasury bonds and the currency.

The move, with an announcement that the government would defend the rouble and was sticking to a stringent monetary policy, appeared to steady nervous markets somewhat.

The benchmark RTS share index, which fell 11.8 per cent on Monday, rose 4 per cent. The rouble steadied at Rbs6.15 to the dollar at the close.

The central bank put up its refinancing rates to 50 per cent from 30 per cent, their highest level since December 1996. It increased its Lombard rate – the rate at which it lends to commercial banks – from 40 to 50 per cent.

The raising of the refinancing rate, which serves as a cap on Treasury bill yields, follows a sharp rise in yields in recent days as investors off-loaded company stocks in favour of government bonds. Sergei Dubinin, the central bank chairman, blamed western companies for "speculative attacks" on the rouble and said the government had spent $500m propping up the currency in the past week.

He did not name any institution but referred to a western investment company, a consultant to the government on distributing eurobonds, which had contributed to the collapse of the securities market and the rouble.

"I want to say straight away, and the government backs me on this, that the government should reconsider its relationships with those institutions which have taken part directly in this," he warned.

Alexander Potemkin, the bank's deputy chairman, said he hoped the interest rate rise would convince investors there was no serious threat to the rouble exchange rate or to monetary policy.

"We are convinced that these actions, our actions in raising interest rates, will one way or another be able to maintain stability on Russian financial markets," he said.

The markets remained nervous, brokers said, but Treasury bond yields came down. Six-month maturity bonds, which were yielding 50 per cent on Monday, were yielding 41.5 per cent yesterday.

The financial crunch is the latest difficulty to hit the newly installed government of Sergei Kiriyenko. It is already under pressure to pay thousands of striking Russian miners. They are protesting against the non-payment of months of wages by blocking the main railway lines in Siberia and the far north.

Mr Kiriyenko is expected to make a speech on the stock market crisis tomorrow.

The central bank's ability to defend the rouble remains the main preoccupation of investors. Par Mellstrom, head of research at Brunswick Warburg, a Moscow brokerage, said: "What the central bank has done, and their statements, show they feel they have time and they are willing to pay the high interest rates. It is in their hands."

Editorial Comment, Page 13

CONTENTS

Pakistani opposition leader Benazir Bhutto urged premier Nawaz Sharif to resign for not responding to India's nuclear tests. Nuclear issue, Page 12

FT.com
FINANCIAL TIMES

Directory of online services via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
http://www.FT.com

The Archive: online archive of back issues of the newspaper since July 1996.
http://www.archive.FT.com

Newspaper subscriptions: information, offers and online ordering.
http://www.ft.com/newspaper/subscribe.htm

FT Annual Reports Service: online ordering of annual or interim reports and accounts of 1200 UK plcs
http://www.ft.com/newspaper/222a.htm

Cityline: how to get share prices and market reports by telephone and faxback.
http://www.ft.com/newspaper/2176.htm

Surveys: details of forthcoming editorial surveys.
http://www.ft.com/newspaper/2366.htm

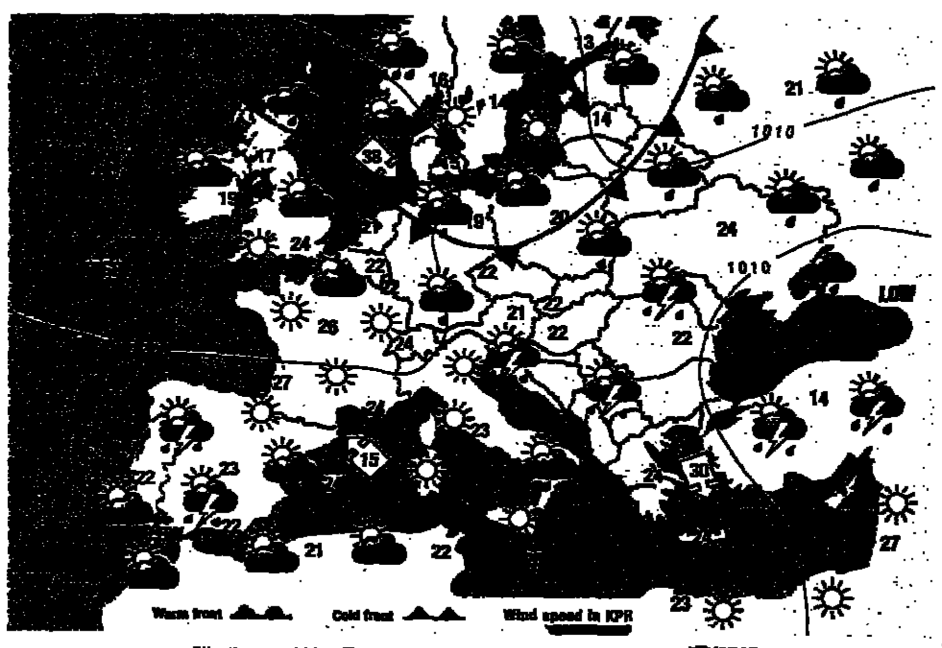
FT WEATHER GUIDE

Europe today

Showers over Denmark should clear, leaving southern Scandinavia bright but cooler. Northern parts of Norway and Sweden will have sunshine and wintry showers. Central and north-west Europe will be dry with sunshine, but there may be showers in Germany and over the Alps. Spain and Portugal will remain unsettled with thundery rain in the interior. The central and eastern Mediterranean will be sunny, but southern Italy and the northern Balkans will have showers.

Five-day forecast

The southern half of Scandinavia, will be mainly fine and bright. Central and north-west Europe will be dry and sunny, but showers are possible in Germany and over the Alps. Spain and Portugal will remain thundery. The central and eastern Mediterranean will be sunny, but southern Italy and the northern Balkans will have heavy showers.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	35
Accra	Fair	32
Algiers	Fair	21
Amsterdam	Fair	21
Athens	Fair	24
Atlanta	Fair	32
B. Aires	Sun	23
B.ham	Sun	22
Bangkok	Thunder	34
Barcelona	Fair	21
Beijing	Fair	30
Belfast	Fair	18
Belgrade	Thunder	20
Berlin	Shower	19
Bermuda	Fair	25
Bogota	Fair	18
Bombay	Sun	34
Brussels	Fair	22
Budapest	Thunder	23
C.hagen	Fair	15
Cairo	Fair	29
Caracas	Cloudy	31
Cardiff	Fair	21
Casablanca	Cloudy	21
Chicago	Fair	31
Cologne	Sun	23
Dakar	Sun	27
Dallas	Sun	35
Delhi	Sun	41
Dubai	Sun	37
Dublin	Sun	19
Dubrovnik	Fair	21
Edinburgh	Drzzl	17
Faro	Fair	22
Frankfurt	Fair	24
Geneva	Sun	24
Gibraltar	Fair	23
Glasgow	Drzzl	17
Hamburg	Cloudy	17
Helsinki	Fair	13
Hong Kong	Thunder	29
Honolulu	Fair	29
Istanbul	Rain	18
Jakarta	Sun	33
Jersey	Sun	17
Johannesburg	Fair	19
Karachi	Fair	37
Kuwait	Sun	42
L. Angeles	Fair	19
Las Palmas	Fair	24
Lima	Fair	23
Lisbon	Fair	22
London	Sun	24
Lux.bourg	Fair	22
Lyon	Sun	25
Madeira	Fair	21
Madrid	Thunder	23
Majorca	Fair	24
Malta	Fair	23
Manchester	Fair	21
Manila	Fair	31
Melbourne	Shower	18
Mexico City	Fair	31
Miami	Sun	31
Milan	Sun	27
Montreal	Rain	25
Moscow	Shower	21
Munich	Fair	22
Nairobi	Thunder	25
Naples	Fair	23
Nassau	Shower	30
New York	Fair	30
Nice	Fair	24
Nicosia	Fair	24
Oslo	Sun	18
Paris	Fair	28
Perth	Shower	23
Prague	Shower	22
Rangoon	Thunder	33
Reykjavik	Fair	10
Rio	Fair	27
Rome	Sun	23
S. Frsco	Shower	17
Seoul	Fair	28
Singapore	Thunder	35
Stockholm	Sun	14
Strasbourg	Sun	24
Sydney	Sun	20
Tangier	Fair	24
Tel Aviv	Fair	28
Tokyo	Cloudy	28
Toronto	Thunder	25
Vancouver	Fair	18
Venice	Sun	24
Vienna	Shower	21
Warsaw	Fair	20
Washington	Thunder	33
Wellington	Fair	15
Winnipeg	Sun	17
Zurich	Sun	24

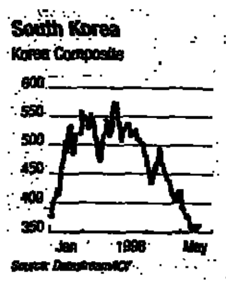
FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1998 WEDNESDAY MAY 20 1998 Week 21

INSIDE

Seagram acquisition as sector faces global sales slowdown

Seagram, the Canadian drinks and entertainments group, is poised to become the world's biggest record company by buying PolyGram, the Dutch group. Although the acquisition, worth more than $10bn, fulfills an ambition of Edgar Bronfman Jr, Seagram's president, it comes as the sector faces a global slowdown in music sales. Page 18

Tiger acquires taste for noodles



South Korea's once-proud export industries – cars, ships and semi-conductors – are being shunned by foreign investors. Interest has shifted to humble companies such as Nong Shim, a noodle maker. These are favourites among investors because they are practically debt-free. Analysts say traders will concentrate on companies with low debt when the limit on foreign shareholding, now 55 per cent, ends on Friday. Page 36

Bajaj Auto plans computer fightback

India's market for two- and three-wheel vehicles grew last year, but volumes at Bajaj Auto, the country's biggest producer, fell 6.4 per cent. Rahul Bajaj, chairman, aims to fight back by using computer-controlled machine tools to improve quality control and build new models. Page 17

US rate hopes lift Dax to record

Early strength on Wall Street and a growing conviction that the Fed's open market committee would leave US interest rates unchanged sent Frankfurt into record territory. The Frankfurt's Xetra Dax index peaked at 5,446.03 before edging back in late electronic trade to close 97.34, or 1.8 per cent higher, at a record 5,441.00. Page 36

Barrick explains use of hedging

The World Gold Council blames the dramatic decrease in gold prices on the increasing use of hedging. The world's biggest and most effective gold hedger is Barrick Gold of Canada. Peter Munk, its chairman, has indicated why he puts such an emphasis to the practice. Page 26

CME begins Ecu futures trading

Trading in European currency unit futures and options began on the Chicago Mercantile Exchange, the second largest of the US futures exchanges. The move paves the way for eventual trading in the new euro currency. Page 24

Demand for silver in India dries up

Millions of Indians, the biggest consumers of silver, stopped buying the metal towards the end of last year as its price rose on the buying activities of Warren Buffett's Berkshire Hathaway investment group. The Washington-based Silver Institute said imports to India virtually dried up. Page 26

COMPANIES IN THIS ISSUE

CROSSWORD, Page 26

MARKET STATISTICS

Ahold in $2.7bn bid for Giant Food

Dutch supermarket group aims to broaden US reach

By Gordon Cramb in Amsterdam, Peggy Hollinger in London and Richard Tomkins in New York

Ahold, the Dutch-based supermarkets group, yesterday moved to broaden its US reach with a $2.7bn-plus bid for Giant Food, a chain based in Maryland which UK retailer J Sainsbury had previously sought to control.

Giant's operations in Washington DC, Maryland, Delaware and other states would plug a gap in Ahold activities in north-eastern and south-eastern US. Cees van der Hoeven, president of Ahold, described it as "highly compatible with our other US companies".

The 176 outlets of Giant Food would take the total number of US stores under Ahold control above 1,000. Its existing chains include New England's Stop & Shop and the unrelated Giant Food Stores, based in Pennsylvania.

The disposal of J Sainsbury's 19 per cent stake in Giant, purchased three years ago for just under £275m ($459m), comes weeks after Lord Sainsbury, chairman and architect of J Sainsbury's US expansion, announced his retirement.

J Sainsbury insisted the disposal did not signal a withdrawal from the US market, where it still owns Shaws, a New England chain.

The disposal of the Giant stake had been prompted by the opportunity to capture some shareholder value. "Ahold's valuation on the business was much higher than ours," said David Bremner, head of J Sainsbury's international division.

Although analysts said the price was high, shares in Ahold rose 5.7 per cent. The Dutch group had said it would make an unspecified equity issue to refinance the purchase. Last month, it completed a Fl 2bn offering.

At lunchtime in New York, Giant Food's publicly traded, non-voting shares were up $5⅞, or 14 per cent, at $42⅞. Ahold is offering $43.50 apiece for these and has agreed to buy voting and non-voting shares owned by J Sainsbury and the family of Israel Cohen, chairman, who died in 1995.

In the year to February 1998, Giant Food increased sales by 9 per cent to $4. 2bn, but net profits fell from $85.5m to $71.2m after the company slashed prices to bring shoppers back after a long strike by truck drivers. It also suffered increasing competitive pressures from discount chains such as Wal-Mart Stores, which has moved aggressively into the groceries business.

Ahold, with sales last year of Fl 50.57bn and net earnings of Fl 934m, sees streamlined technology and distribution as a key to boosting earnings in the US, already its biggest market.

London stocks, Page 32

DuPont to buy Merck's 50% stake for $2.6bn

By Jenny Luesby in London

DuPont is to buy out the 50 per cent stake held by Merck in the DuPont Merck pharmaceuticals joint venture for $2.6bn in the latest move by the US chemicals conglomerate into life sciences.

The pharmaceutical venture, formed in 1991 and with sales last year of $1.3bn, covered all DuPont's drugs activities with the exception of one business. It will now be drawn into the group's new life science division, where it will be known as DuPont pharmaceuticals.

DuPont, which last week announced the sale of its oil arm, Conoco, plans to increase its life sciences division to 35 per cent of group sales by 2002. The Merck acquisition will take that proportion to 20 per cent of the existing group, excluding Conoco, or about $5bn.

However, the drugs buy-out will only account for a small proportion of the funds raised from the Conoco sale – the first tranche of which will be an initial public offering this year of 20 per cent of the oil business, estimated to be worth between $4bn and $5bn.

Kurt Landgraf, executive vice-president of life sciences, yesterday ruled out any large pharmaceuticals acquisition, saying this would inevitably be dilutive. But he said the group would seek to augment its pharmaceuticals activities.

It intended to do this by expanding its geographical presence in Europe and Asia, its R&D pipeline, and its biotechnological capabilities. On this basis, "we hope to have found a European partner through an alliance or an equity arrangement in the near future", he said.

Such an alliance would confirm DuPont's emerging willingness to develop links to achieve the partnerships that have eluded others. Last month, it acquired a 20 per cent stake in Pioneer Hybrid International, one of the world's leading seeds companies. This sealed its alliance with a company DuPont's main rival, Monsanto, had wished to acquire.

Meanwhile, DuPont said it would take advantage of the full control of its pharmaceuticals business to "ramp up" its pharmaceuticals R&D spending from between $300m and $400m today "to $500m in the near future".

It also aimed to apply the R&D and marketing capabilities of its pharmaceuticals operation elsewhere in its life sciences division, with the target of lifting its agricultural biotechnology sales to $1bn a year by 2002.

The group will post a $1bn R&D write-off following the Merck stake buy-out. This will fall in either the second or third quarter, depending on when the deal is closed.

Mr Landgraf said the buy-out would dilute earnings by 3 to 4 cents a share this year and next year, but would be earnings enhancing by 2000.

DuPont to open purse, Page 19

Crédit Lyonnais employees demonstrated against the rescue plan, saying it failed to protect jobs Reuters

Asset sales list brings Crédit Lyonnais closer to rescue deal

By Samer Iskandar in Brussels and Andrew Jack in Paris

The European Commission has received a detailed list from the French government of assets that Crédit Lyonnais, the troubled French bank, will have to sell to gain approval for an estimated FFr120bn-FFr145bn ($20bn-$24bn) state rescue package.

The document clears the final obstacle for approval of the largest state aid package examined by the Commission, which is due to vote on the proposals today.

A Commission official said yesterday that Karel Van Miert, the European Union competition commissioner, was satisfied with the list and was likely to obtain his colleagues' approval for the rescue without debate.

The identity of the assets to be sold will remain confidential to protect the price they will realise on disposal. Mr Van Miert will make only one copy available to Jacques Santer, president of the Commission. "The list is in Mr Santer's safe, and I do not even know the combination," said the official.

At the weekend, the list was all that was missing for the Commission to approve the deal, after tense negotiations culminated in an agreement last Thursday between Mr Van Miert and Dominique Strauss-Kahn, France's economics, finance and industry minister.

The plan requires sales of FFr680bn of Crédit Lyonnais' assets in France and the rest of Europe as well as in the US and Asia, by reference to 1995 values. The bank's Belgian and Germany subsidiaries are among those to be sold.

Crédit Lyonnais must be privatised by October 1999, and restrictions are being placed on its growth over the next few years.

More than 2,000 employees of the bank demonstrated in Paris yesterday to protest at the rescue plan and called on France to reject it. They argued that it offered no guarantee of job protection.

However, union leaders leaving a meeting yesterday with an adviser to Lionel Jospin, the prime minister, indicated that the French government was in favour of the plan.

Opel chief Herman expected to resign

By Haig Simonian in London and Graham Bowley in Frankfurt

David Herman, chairman of Adam Opel, is expected today to announce his resignation in a further top management change at the international operations of General Motors.

Mr Herman is expected to be replaced by Gary Cowger, former head of GM's Mexican subsidiary, who was transferred earlier this year to be head of manufacturing at GM Europe.

Mr Herman, an eastern European specialist, will move to a new Moscow-based position, running all GM's operations in the former Soviet Union.

The world's biggest carmaker has a small joint venture in the autonomous republic of Tatarstan, and has been in long-running talks on a much more ambitious scheme with Russia's largest car company, Avtovaz.

The changes have still to be approved formally by Opel's supervisory board next month. However, they have been widely foreshadowed, amid growing concerns at GM's Detroit headquarters about declining profitability and increasing publicity about management frictions in Europe.

Earlier this year, GM announced it was transferring the headquarters of its international operations to Detroit from Zurich. The international HQ had been moved to Switzerland from the US in 1992 as part of the group's globalisation drive. Recently, however, GM's top US-based management has wanted closer control over its international activities.

The appointment of Mr Cowger had been expected in March. However, press leaks and his reputation as a tough production man intent on cutting costs led to stiff opposition from Opel's workers, who are represented on the company's supervisory board.

Rising speculation about Mr Herman's replacement led the company to take the unusual step of announcing in advance that personnel issues would not be discussed at the March supervisory board meeting.

However, it was widely understood at the time the issue had simply been postponed pending a cooling off period before the issue of Mr Herman's succession was once again raised.

BARRY RILEY

Mind the pension gap

What might be called pension fund capitalism is an inadequately explored subject. It may not be a coincidence that rapid growth in US retirement assets (now worth some $7,000bn) has paralleled the past decade's renaissance of US capitalism.

Right now, too, US and UK institutional funds are playing crucial roles in the transformation of the European corporate sector, in the absence of comparably significant Continental participants. Maybe, too, the relative absence of strong domestic pension funds partially explains the plight of Japan and its Asian neighbours.

It is estimated that pension fund assets will reach $12,000bn in the top 15 economies in 2000. How should this vast pile of wealth be managed? A new book explores the subject from the viewpoint of two leading pension consultants: Keith Ambachtsheer, president of KPA Advisory Services, Toronto, and Don Ezra, who runs Frank Russell's European consultancy.

Pension funds have historically depended for their development on trust law, which was exported from the UK to North America before being adapted into 1970s American legislation. Fiduciaries must balance the interests of sponsors and different classes of beneficiaries, and must behave like a "prudent man". Where no such fiduciary law exists – in France or Italy, say – there are no significant pension funds.

Pension funds are not charities, because they also represent part of the sponsors' employment benefit packages. For a typical North American plan 19 per cent of benefits are effectively paid by contributions, 81 per cent out of the long-term investment returns. If the fiduciaries are too cautious the required level of contributions may rise unacceptably.

Vital importance is attached by the authors to "understanding the pension deal" and "knowing who the pension plan stakeholders are". But a recurring sign of tension is the struggle over the ownership of surpluses. Governments have responded with restrictive legislation. The asymmetry involved may discourage plans from building up surpluses.

Ambachtsheer and Ezra put forward their formula for pension fund excellence. "Prudence", they say, "is process". There must be an executive officer for the plan, and the best professional standards must be defined. Asset allocation is the most important investment decision, and must be given appropriate time for consideration.

But how can excellence be measured? The authors recommend the concept of risk-adjusted net value added (RANVA), a formula which indicates that the typical shortfall from excellence is 50 basis points a year – or, applied to $12,000bn of global pension funds, some $60bn annually. This is a deliberately headline-catching figure, however. It might have been better for the authors to have focused also on the relationship between corporate sponsors and their plans. Should the pension funds' risks and returns be assessed independently of the sponsor's own balance sheet? Those conflicts, again.

Wonderful recent investment returns have covered the cracks, but the traditional defined benefit plan is under pressure, not least from rising compliance costs. Hence the rapid growth of defined contribution schemes. Already, in the US, half of retirement assets are under the control of individuals (through 401(k) plans and the like), not fiduciaries.

Ambachtsheer and Ezra say capital market weakness could lead to "a sudden and precipitate drop in the popularity of DC plans". But exactly the same could surely be said about the reaction of sponsors of DB plans.

For the time being pensions prosperity continues. Yet increased pensions cannot be paid out of a freak stock market bubble, only out of incremental real wealth. The book's optimistic conclusion about pension fund capitalism is that, if fiduciaries succeed in creating value for their stakeholders, wealth will be forthcoming.

Pension Fund Excellence. Wiley. $64.95

JAPAN RESULTS FUEL CONCERNS OVER SECTOR'S HEALTH AND POSSIBLE IMPACT ON BANKS

Building groups report heavy losses

By Gillian Tett in Tokyo

Japan's largest construction companies yesterday reported heavy losses because of restructuring efforts and falling asset prices.

The results will fuel concern about the strength of the sector, where large losses are believed to threaten the financial health of the country's banks.

Big companies such as Kajima, Taisei and Shimizu are thought to be healthier than their smaller rivals, but all three admitted yesterday that last year's poor economic climate had hurt their results.

Kajima, one of the country's largest construction groups, forecast an extraordinary loss of Y210bn ($1.54bn) in fiscal 1998 because of restructuring. This will push it into a Y180bn parent net loss in the year to March 1999.

Shimizu, the country's largest general contractor, forecast a Y140bn parent net loss in fiscal 1998 after similar restructuring measures. It reported a Y45bn net loss in fiscal 1997 because of Y20.29bn of losses on equity holdings and a Y47bn write-off of cancelled construction projects.

Taisei reported a Y141.29bn extraordinary loss in fiscal 1997 that pushed the group into a Y112.27bn net loss. This was related to the sale of non-performing property, write-offs of debt receivable and the liquidation of lossmaking businesses, it said.

The government recently announced a Y16,700bn stimulus package to boost the construction industry by raising the level of public investment projects.

However, many groups are weighed down with bad loans incurred after the collapse of the 1980s' "bubble" and revenues are falling in the stagnant economy.

Moody's, the US credit rating agency, yesterday warned that it was considering downgrading some construction and financial stocks because of Japan's economic weakness.

Kajima reported that 1997 recurring profit fell 19 per cent to Y20.38bn, with sales falling 5.6 per cent to Y1,513bn. Net profit plunged 40 per cent to Y6bn.

The company announced a three-year restructuring plan to accelerate property sales and liquidate unprofitable units. It will cut the workforce by 1,000 over the next three years from the present 13,550.

Parent sales at Taisei fell 12 per cent to Y1,385bn because of the weakness of housing demand and cuts in public works spending. Annual pre-tax profit was Y25.26bn, 3.3 per cent lower than the previous year.

Shimizu reported a 9.8 per cent fall in pre-tax profits even though sales rose 0.2 per cent to Y1,474bn.

Obayashi, another large construction group, reported a parent pre-tax profit of Y23.72bn in 1997, 19.4 per cent lower than the previous year. Sales fell 3 per cent to Y1,465bn.

For the current year, it forecasts a parent pre-tax profit of Y23bn on sales of Y1,360bn.

Further cut in Wharf's ratings

By Louise Lucas in Hong Kong

Standard & Poor's, the US credit rating agency, has downgraded the long-term ratings of Wharf (Holdings), the Hong Kong infrastructure and property conglomerate, for the second time in three months.

Wharf has also been given a negative outlook by the agency.

The downgrade is attributable in part to the economic slowdown in Hong Kong, to which Wharf's high property exposure makes it vulnerable, but also reflects slower than expected progress in the lossmaking cable television and telecommunications businesses.

Hong Kong's property and stock markets have borne the brunt of the territory's defence of the currency, which remains pegged to the US dollar after the round of regional devaluations. Wharf's investment properties, which contribute about 70 per cent of net earnings, are mainly in the worst-hit retail and office sectors.

S&P said the slowdown in Hong Kong had hit Wharf's historically conservative financial profile, resulting in weak cash flow coverage and a substantially higher level of borrowings as interest rates have risen.

Obtaining funds in the current environment, with Japanese and other banks seeking to reduce lending, is also posing problems for some companies.

Wharf says that a number of banks attempted to leap on a recent US court move to ban dealings with banks with US links – a temporary order made as part of an ongoing legal suit over an alleged breach of contract with a US company – as an excuse to recover loans.

The current downgrade, from A- to BBB+, follows the February one-notch downgrade from A.

Yesterday, the ratings agency said return on Wharf's permanent capital, even excluding half of the asset revaluation reserve, was only about 5 per cent in 1997.

"Although Wharf has a sizeable investment portfolio on hand for disposal, its financial flexibility is constrained by thin cash reserves," the agency said.

Management was seeking to reduce gearing by adjusting capital spending, being more conservative on dividends, and disposing of non-core assets.

Casio profits tick up threefold advance

Casio, the Japanese electronics and computer group, ticked off a successful year as a surge in watch sales, especially the G-Shock digital watch (above), helped annual earnings treble to Y11.7bn ($86m), writes **Alexandra Harney in Tokyo.**

The company expected income would rise to Y15bn this year, on sales up 9.8 per cent at Y510bn.

The result was also helped by an improvement in its liquid crystal operations and the weak yen. Watch sales, which rose nearly 50 per cent, accounted for 32 per cent of turnover.

Casio's shares closed up 10 per cent yesterday at Y1,305.

Kimihide Takano, electronics analyst at Dresdner Kleinwort Benson, said the trend toward multiple watch ownership – which has buoyed G-Shock sales – would support short-term growth in the domestic market, but that international sales could drag down profits in the future.

Casio also announced that it was changing its articles of association to buy back up to 72.5m of its shares, equivalent to 26 per cent, and said it would maintain its dividend at Y12.5. **Picture: Fergus Wilkie**

Matsushita Electric to lift European manufacturing

By Paul Abrahams in Tokyo

Matsushita Electric, the Japanese electronics group, plans to increase the proportion of European sales manufactured locally from one-third in 1993 to two-thirds by the end of the decade.

Seinosuke Kuraku, managing director of Matsushita Electric Europe, said his company needed to reduce imports from Asia because of transport costs and the need to be more flexible in meeting local consumer demands.

The company, which announces full-year results today, saw a double-digit increase in European sales in the year to March 31, Mr Kuraku said in an interview with the Financial Times. This was despite a contraction in the European consumer electronics market. In the previous year, Europe accounted for about 10 per cent of Matsushita's turnover of Y7,675bn ($56bn).

Operations in the region were profitable, although recent investments in eastern Europe have yet to break even. These include a battery plant in Poland, a colour television factory in the Czech Republic and a components supplier in Slovakia. Mr Kuraku hoped these investments would become profitable by the end of the decade.

Next year's European sales were also expected to expand at a double-digit rate. This, together with the growth in locally sourced products, would be achieved by additional capacity and productivity at existing sites rather than new investments.

European growth for the remainder of the decade would be driven by the new products and the change from analogue to digital, said Mr Kuraku. Currently, only about 50 per cent of Matsushita's European sales were digital, he added.

This sales drive would include digital video discs. The uptake of this technology had been slower than in Japan or the US, but Mr Kuraku expected a big improvement in the second half of this year. Sales could reach 350,000 units, compared with just 30,000 last year, he said.

Other important products would be DVC Pro – a video product for television studios – and digital television, which was expected to be one of the company's biggest products in Europe this decade.

The introduction of a single currency in the European Union would allow the company to centralise its treasury operations for the founding 11 countries. "Previously, we had to have reserves in 11 currencies, now we need just one," he said. The treasury would probably be in Amsterdam, even though the European headquarters were just outside London.

NEWS DIGEST

TELECOMMUNICATIONS

Cost-cutting and rising baht lift Thai groups

Thai telecommunications companies reported sharply higher first-quarter profits, attributable to the recent appreciation of the Thai baht, but analysts said operating results at some companies were bolstered by cost cuts that could hurt revenue later in the year.

Total Access Communications, Thailand's second largest mobile telephone network operator, said net profit grew more than tenfold year-on-year to Bt10.1bn ($256m). Although foreign exchange gains accounted for Bt9.4bn, the company achieved net operating profit of Bt526m in the quarter. That compared with a loss of Bt92m the previous quarter, but was down 43 per cent year-on-year.

Analysts said the company's average revenue per line was falling but the company had cut costs by 37 per cent from the previous quarter, mostly by eliminating marketing promotions, which could affect annual subscriber growth.

United Communication Industry, parent company of Total Access, said its first-quarter net profit increased more than 16 times to Bt7bn.

Advanced Info Service, Thailand's leading mobile telephone network operator, said first-quarter net profit increased 92 per cent year-on-year to Bt1.74bn, with foreign exchange gains accounting for Bt983m of those profits.

AIS saw its operating profit fall 19 per cent to Bt757m on flat revenue, while costs increased. Shinawatra Computer & Communications, parent of AIS, said its net profit increased nearly 10 times to Bt3.8bn.

TelecomAsia, which operates a fixed-line network in Bangkok, swung to a first-quarter net profit of Bt8.7bn, from a loss of Bt440m last time. Foreign exchange gains amounted to Bt9.3bn and the company earned Bt428m from a sale of investments.

Core operations made a pre-tax net loss of Bt1.05bn, a 37 per cent improvement. Merrill Lynch noted that the company cut its promotion expenses from Bt255m the previous quarter to Bt19m. It also saw its interest costs decline 18 per cent.

Thai Telephone & Telecommunication, the fixed line operator in the provinces, lifted net profit from Bt44m the same period a year ago to Bt2.6bn. **Ted Bardacke, Bangkok**

ELECTRONICS

Bandai returns to profit

Bandai, the Japanese electronics group that makes Tamagotchi electronic pets, yesterday announced a return to profit after last year's heavy provisions for pulling out of an internet games machine.

Consolidated net profits were Y1bn ($7.3m), compared with a loss of Y7.98bn on sales 44 per cent higher at Y288bn. In the previous year, Bandai announced an extraordinary loss of Y27bn to cover the closure of a joint venture with Apple, the US computer group.

The company predicted profits in the current year would reach Y3bn on sales down 15 per cent at Y250bn as enthusiasm for the Tamagotchi wanes.

The results were announced after the market had closed, and the shares ended up Y9, or 0.5 per cent, at Y1,910. Since April 1996, the shares have fallen more than 55 per cent. **Paul Abrahams, Tokyo**

Pioneer more than doubles

Pioneer, the Japanese electronics manufacturer, more than doubled net earnings last year after a weak performance the year before. The company expects profits to double again this year.

It also announced it would revise its articles of association to allow it to buy back 47m – or 26 per cent – of its 179.6m shares, at a maximum cost of Y70bn, to improve its return on equity. It would pay an annual Y7.5 dividend, up from Y5 last year. The shares closed up 4 per cent at Y2,510 on the news.

Net profits in the current year should be Y12bn, said Pioneer, on sales up 7 per cent at Y600bn. The improvement would be based on predicted expansion in domestic and overseas sales, particularly in plasma displays in Japan and cable television boxes in the US.

The figures were helped by cost cuts resulting from an early retirement programme, lower production costs in Asia and higher export sales because of the weak yen.

Net sales rose only 1.3 per cent to Y560m, mainly as a result of currency gains and car electronics sales.
Alexandra Harney, Tokyo

COMPANIES & FINANCE: ASIA-PACIFIC

TELECOMMUNICATIONS NEW ZEALAND GROUP BEATS EXPECTATIONS WITH NZ$815m BUT WARNS OF GROWING COMPETITION

Higher mobile revenues lift Telecom NZ

By Gwen Robinson in Wellington

Telecom NZ, New Zealand's largest company, yesterday reported stronger than expected earnings for the year to March owing to increased revenues from mobile communications and improved cost management.

However, the company, which was privatised in 1990, warned that growing competition in the domestic market and a slowdown in the economy would present stiff challenges in the year ahead.

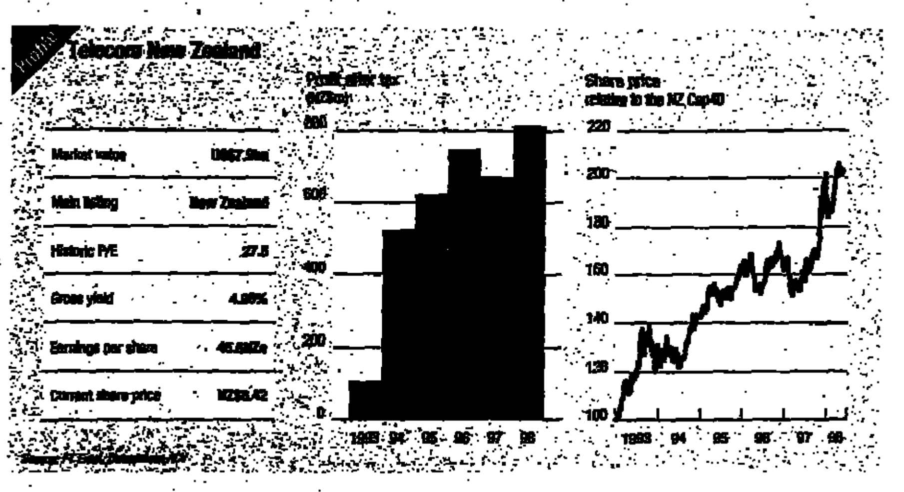
Net profit from continuing operations and after charges rose from NZ$669.2m to NZ$815.3m (US$434m), giving a 13 per cent increase in earnings per share. The annual dividend is lifted more than 10 per cent to 43 NZ cents.

Analysts, who had forecast a profit of about NZ$810m, said Telecom NZ had defied predictions that a sluggish economy and growing competition would hit growth.

Peter Shirtcliffe, chairman, said: "Telecom's improved earnings performance has been built on stronger revenues and well-managed costs, and has been achieved against a background of slowing economic growth and continued competitive pressures."

Operating revenue rose 8 per cent after adjustments, helped by growth in cellular and other mobile services. Revenue from international calls, however, weakened in the fourth quarter, following the company's cut in international toll-call base rates.

Revenue from mobile communications in the quarter rose 40 per cent to NZ$112m.



Roderick Deane, chief executive, said the company would continue to contain costs while stressing innovation and revenue growth.

For the year to March 1999, analysts expect net profits of NZ$880m.

Net profit last year included a NZ$37.8m charge against the termination of the rollout of fibre-coaxial cable and the reorganisation of the cable television unit. The charge was offset by a NZ$30m write-back of provisions made last year for losses on the disposal of Pacific Star Group, Telecom's Australian operation.

In the previous year, to June 1997, Telecom provided NZ$87.4m for such losses and also took NZ$139m in extraordinary items and one-off charges.

Mr Deane predicted continued growth in New Zealand's telecoms market and expansion of the company's cellular and enhanced network divisions.

"Our market share has declined in a number of marketplaces over the last few years as other companies have established a niche ... we know we are going to keep losing market share. The trick is to keep growing volumes fast enough to offset the drop in prices and any drop in market share."

Bajaj tools up for counter-attack on rival manufacturers

Indian group has a new strategy to win back market share, reports **Krishna Guha**

The statistics make grim reading. India's market for two- and three-wheel vehicles grew 3 per cent last year but volumes at Bajaj Auto – the country's biggest producer – fell 6.4 per cent.

Bajaj is losing market share in every sector. In scooters, where the market contracted 3 per cent, it lost 10.7 per cent; in motorcycles, which grew 16 per cent, Bajaj gained 3.4 per cent; the moped market fell 0.5 per cent, but Bajaj's share fell 25.9 per cent. Even in three-wheelers, where the market rose 6 per cent, it recorded only a 5.5 per cent increase.

"In 1997-98 I lost volumes and I lost market share," says Rahul Bajaj, chairman of Bajaj Auto and one of India's most prominent industrialists. "It has never happened before."

All the same, Bajaj's share of the two- and three-wheeler market is now 40.5 per cent, compared with a peak of 48 per cent three years ago. Competitors, led by Hero Honda, Honda's joint venture in India, are gaining ground at Bajaj's expense and shareholders "are asking questions".

But Mr Bajaj does not have the air of a man about to concede defeat. At the company's headquarters near Pune he is implementing the fightback plan, which could determine whether Bajaj retains its leading position in India or becomes another great Indian company to enter a slow but terminal decline.

The company's aim is to win back 45 per cent of the market within three years.

The shape this counter-attack will take is clear from the weapons Mr Bajaj has chosen. Half a mile from his offices, Bajaj Auto's high-tech development unit is packed with state of the art, computer-controlled machine tools – the fruits of a two-year, Rs7.5bn ($185m) investment drive.

The new machine tools are accurate to within five microns (five-thousandths of a millimetre). Engineers check the parts through a computer linked to an inspection probe made by Mistral of France, accurate to one-tenth of a micron.

"These are not dedicated tools; they are flexible, they can take up any part for any model," says Rajeev Agafha, foreman. "To change the part you simply change the fixture – it takes less than an hour to reprogram the computer."

The equipment enables Bajaj to produce to an international standard of quality control for the first time and introduce new models in response to demand and new emission controls.

Equally important, Bajaj will be able to respond quickly to rival offerings from its Japanese and Italian competitors. "What happened was our new models stopped coming out," says Mr Bajaj. "But our competitors brought out theirs."

India's increasingly fashion-conscious consumers are demanding improved products and Bajaj hopes to meet this demand. "Starting from April this year until December 1999 we will bring out 17 new models," he says.

Some will be upgrades of existing scooters and motorcycles but seven or eight will be new designs.

In order to match its rivals' product lines Bajaj has stepped up its research and development activities – it now employs 500 new product designers, compared with 120 five years ago. But Mr Bajaj knows he has a long way to go to match the global giants.

"Honda's annual spend on R&D is more than my turnover," he says.

'What happened was our new models stopped coming out,' says Rahul Bajaj, chairman. 'But our competitors brought out theirs'

The company has tried to compensate through alliances with foreign partners, such as with the Japanese groups Kawasaki for motorcycles and Kubota for diesel engines, and with Cagiva, the Italian scooter manufacturer. "We do not depend on our in-house capability, we import technology from all over the world," he says.

Bajaj has also begun to organise its new product lines around the "cellular manufacturing" principle with a single product flow in place of the old batch system.

Each assembly line puts together 210 vehicles in an eight-hour shift of 32 workers, up from 128 in 1990. Greater productivity combined with strict attention to expenses have enabled the company to retain its position as the world's lowest cost producer.

Sangiv Bajaj, Mr Bajaj's younger son, is leading an effort to cut costs further by better supply chain management.

The final ingredient in the recovery plan is an aggressive marketing effort managed by an executive poached from TVS Suzuki. Bajaj's "dream scheme" of low-cost finance will remain in place.

Mr Bajaj hopes the strategy will lever the company's undisputed strengths – volume of 1.3m vehicles last year, strong cash flow, zero debt, a nationwide brand and a distribution network.

But he says: "My competitors will not be sitting on their backsides." If necessary, he will use price to win back market share. "Our surplus funds will be more than Rs12bn. If we have to skip a price increase in one year we have the financial muscle to do it."

NEWS DIGEST

INVESTMENT BANKING

Dresdner hires team for new Greater China unit

Dresdner Kleinwort Benson, the German-owned investment bank, yesterday emphasised its commitment to Asian expansion by creating a new subsidiary for Greater China. The unit will be headed by Liping Zhang, who has been hired along with 11 other investment bankers who worked with him at Hong Kong-based Seapower Financial Services Group.

The team had planned to set up their own firm but were persuaded to join DrKB as the core of Dresdner Kleinwort Benson China, which will focus on China, including Hong Kong, and Taiwan. A former official with China's Ministry of Foreign Trade and Economic Co-operation, Liping Zhang worked for Merrill Lynch before joining Seapower.

Gerd Häusler, DrKB management board chairman, said he expected the new team's enhanced origination capability significantly to increase profitability in the region, where Dresdner has four branches and two representative offices.

Although it has trimmed local staffing in some parts south-east Asia since the crisis began, DrKB's total employment in the region has risen, according to Tim Shacklock, head of corporate finance. **Clay Harris, Banking Correspondent**

DAIRY PRODUCTS

Yakult upbeat despite loss

Derivatives losses pushed Yakult Honsha into the red by Y96.62bn ($710m) last year, but the Japanese company expects to bounce back this financial year. Yakult, which makes fermented milk drinks and other dairy-related products, reported a slight fall in sales from Y156.4bn to Y149.9bn for the year to March 31 1998, but it sees sales for the current year recovering to Y154bn.

Pre-tax profits fell 6.8 per cent to Y11.5bn, while the net result fell into a Y96.62bn loss, compared with a Y7.5bn profit, after an extraordinary loss of Y105bn from derivatives trading and other securities. For the current year, Yakult expects a pre-tax profit of Y11bn, and net profit of Y10.5bn.

The derivatives losses were incurred in an attempt to deal with securities losses on Yakult's "tokkin" special investment funds dating back to the late 1980s. Yakult has written off the entire loss in the financial year just ended, and is maintaining a Y15 dividend. **Bethan Hutton, Tokyo**

CURRENCY TURMOIL

Itochu warns of deeper losses

Itochu, one of Japan's leading trading companies, warned that it expected deeper losses because of the impact of the Asian currency turmoil, the downturn in the Japanese economy and the stock market. Itochu said group net losses were likely to be Y95bn ($698m), rather than Y60bn, as previously forecast. The group sales forecast is maintained at Y1,550bn. Itochu has a large number of subsidiary and affiliated companies in south-east Asia that have foreign currency debts to service. **Michiyo Nakamoto, Tokyo**

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

NEWS DIGEST

CHEMICALS

BASF wins approval to buy back 10% of shares

BASF yesterday won shareholder approval to buy back up to 10 per cent of its shares, as the German chemical and pharmaceuticals company warned that falling oil prices had hit revenues in the first quarter.

The share buy-back could lead to BASF returning up to DM5bn ($2.8bn) to shareholders over the next 18 months. However, the move depends on the successful adoption of new German laws, expected later this year. The buy-back would be important because German law has until now barred companies from buying back their own shares. It would be a further example of greater financial sophistication among German companies, which have become increasingly keen to boost shareholder value.

BASF said yesterday that pre-tax profit rose 13.3 per cent in the first quarter, to DM1.3bn. Sales rose 7.4 per cent to DM14.4bn. Volumes climbed, but prices fell by about 3 per cent, mainly because of weakness in crude oil. BASF has campaigned for the freedom to buy shares so that the company can compete on equal terms with international rivals. A string of German companies, including Metallgesellschaft and SGL Carbon have already said they plan to take advantage of the new laws, which are expected to take effect this summer.

At its main shareholders' meeting yesterday. BASF also said it would begin discussions about introducing a stock option scheme for senior management. Several big German companies have begun to introduce such schemes to boost shareholder value and attract international managers. BASF is also considering adopting US accounting standards and listing shares in the US. **Graham Bowley, Frankfurt**

GERMANY

Merged bank advances 19%

Bayerische Hypo- und Vereinsbank, the big German bank being formed from the merger of two Bavarian banks. raised first-quarter operating profits before risk provisions 19 per cent to DM1.49bn ($833m). Net commission income advanced 22 per cent to DM847m, helped by the favourable state of capital markets. Securities and custody business, up 34 per cent, accounted for nearly two-thirds of commission income.

Net interest income was 9 per cent higher at DM2.4bn, mainly reflecting a 12 per cent rise in profits from mortgage business to DM1bn. The interest figure included first-time contributions from two acquisitions – FGH Bank of the Netherlands and Germany's Norisbank. Trading profits benefitted from buoyant financial markets with an increase of 37 per cent to DM236m. Costs were 8 per cent higher at DM2.03bn.

The results were announced as shareholders of Bayerische Hypotheken- und Wechselbank yesterday approved the merger with Bayerische Vereinsbank.
Andrew Fisher, Frankfurt

INSURANCE

Alte Leipziger sells BHF stake

Alte Leipziger, the German insurance company, has sold a 6.6 per cent shareholding in BHF-Bank, the medium-sized German bank which was the subject of takeover speculation last year. The shares were placed in the market by J. P. Morgan, the US investment bank, after Alte Leipziger took advantage of the rise in the BHF-Bank share price to sell its 5.8m shares in a block trade to raise DM434m ($243m).

The shares were bought by German, European and US institutional investors at DM75 each. At the end of last year, they stood at DM51. **Andrew Fisher**

BANKS

NBG offer oversubscribed

National Bank of Greece, the country's biggest, said yesterday its global offering of 2.5m shares was three and a half times subscribed. The share price was set at Dr46,900 following a book-building process at the weekend.

Theodore Karatzas, NBG governor, said the price "was up to expectations, while the placement has put the bank on the international investment map". The issue raised Dr117.2bn ($379m) for the finance ministry, which will be used to write down government debt. NBG's share jumped 4.5 per cent in heavy trading yesterday to close at Dr51,995.

The offering was revived after the Athens stock exchange soared to record heights in response to Greece's entry to Europe's exchange rate mechanism. After being scheduled for last November, it was postponed as confidence collapsed in emerging market issues after the Asian financial crisis.

The state's shareholding in NBG has been reduced from 51 PER cent to 41 per cent, with international institutions holding 18 per cent. Merrill Lynch and SBC Warburg Dillon Read were joint global co-ordinators for the issue, while HSBC Investment Banking acted as co-lead manager.
Kerin Hope, Athens

RETAIL

Blue Square rises 5%

Blue Square, Israel's largest retail group, yesterday reported a 17 per cent rise in sales and a 5 per cent increase in net income for the first quarter. Sales rose to Shk1.23bn ($336m), while net income climbed to Shk24.1m. Net income last year included a one-off capital gain of Shk5m related to the exercise of warrants in a subsidiary. Revenues from supermarkets rose 16.7 per cent and from speciality stores, 18.5 per cent. This was against 1.2 per cent growth for the quarter in Israel's economy. **Judy Dempsey, Jerusalem**

UTILITIES RISE IN CROSS-BORDER ACTIVITY AS IVO AGREES MERGER WITH STOCKHOLM ENERGI AND EASTERN GROUP PLANS FINNISH BUY

Nordic power deals intensify shake-out

By Greg McIvor in Stockholm

The shake-out of the Nordic power market intensified yesterday when Finland's Imatran Voima won a merger battle in Sweden and Eastern Group, of the UK, appeared poised to buy a large stake in a regional Finnish utility.

In a deal worth SKr4.9bn ($628m), IVO is to merge its Swedish subsidiary with Stockholm Energi, the country's third largest generator.

Separately, Eastern has provisionally agreed to acquire a minority stake in Savon Voima, based in eastern Finland, for an undisclosed sum. The deal may also include an option to acquire a further stake at a later stage.

Both deals highlight an increasing cross-border dimension in the restructuring which has swept the Nordic power market following its deregulation in 1996.

Large international utilities such as Electricité de France and PreussenElektra of Germany have already established a presence in Sweden. Eastern would be the first non-Nordic utility to enter the Finnish power generation market.

The IVO-Stockholm Energi tie-up creates a group with combined pro forma annual turnover of SKr12.9bn, lifting it close to the size of Sydkraft, Sweden's second-largest energy group.

Kalervo Nurmimäki, IVO chief executive, said: "This merger will create a third bloc in the Swedish energy market and will give us the right size to be really competitive." Under the agreement, IVO will in effect pay SKr4.9bn to Stockholm's municipal authority, which controls Stockholm Energi.

The two parties will control a new joint venture incorporating Stockholm Energi and Gullspang Kraft, IVO's Swedish unit. IVO said it would withdraw SKr1.5bn from the combined companies' balance sheet, while Stockholm municipality would remove SKr6.4bn.

Yesterday's tie-ups constitute a double blow to Sweden's Vattenfall, the dominant Scandinavian power utility, which is striving to augment its presence in the region. A SKr1.5bn bid by Vattenfall for Savon Voima was spurned last year.

Last month, Vattenfall launched a SKr20bn bid for Stockholm Energi after IVO's initial merger proposal was scuppered by political divisions within the city.

Those divisions centred on a demand by the controlling Social Democratic party that the city retain a 50 per cent holding in the merged company for four to five years.

The demand was dropped, however, after the SDP won a guarantee from other political parties and IVO for the city to keep a 50 per cent stake in certain key services, particularly district heating, for 15 years following any sale of its stake in the joint venture. The merged group will have 810,000 customers. Estimated synergies were put at SKr3bn annually within four years.

IVO was advised by Salomon Smith Barney and Stockholm Energi by Merrill Lynch.

Recording world in turmoil as merger theme swells

Seagram's planned takeover of PolyGram comes amid a general slowdown in global music sales, writes Alice Rawsthorn

After 10 days of negotiation, Seagram is poised to press ahead with a $10bn-plus deal to become the world's biggest record company by buying PolyGram, the Dutch entertainment group.

The acquisition fulfils the long-held ambition of Edgar Bronfman Jr, Seagram's president, to establish a powerful presence in the $38bn international music market. But he is expanding at a turbulent time for the industry, which faces sweeping changes in structure and ownership.

EMI, the troubled UK music group, is unofficially up for sale, which means the future of the three companies responsible for one-third of global record sales is now in doubt, because Seagram's hopes of controlling PolyGram could yet be stymied by an anti-trust investigation in the US.

Warner Music, another of the world's "big six" record companies, is racked by senior management turmoil. And the entire industry faces a slowdown in global sales at a time when consumer taste is increasingly unpredictable, and the growth of digital distribution threatens to destabilise the cosy relationship between record companies and retailers.

These difficulties follow a buoyant period since the mid-1980s, when record sales doubled thanks to the growing popularity of compact discs and the emergence of fertile new music markets in Asia.

Dynamic independent record labels have flourished. These include Zomba in the US, Beggars Banquet and Creation in the UK, and Japan's Victor and Avex Trax. Yet the chief beneficiaries of rising sales have been the "big six", which enhanced their profitability by pooling logistical areas of their businesses, such as manufacturing and distribution.

The good times ended in 1996, when European sales slowed and a US price war erupted, forcing thousands of record shops to closbe. The US market rallied last year, only for Asia to falter. Latin America is showing strong growth, but sales there are too low to compensate for the Asian downturn.

Another problem is that consumers are becoming more fickle. Sales of recent releases by once-bankable stars – such as Janet Jackson, Aerosmith, Paul McCartney, Phil Collins and Bryan Adams – have fallen below expectations. Record labels find it easier to break new acts, thanks to the promotional opportunities created by hundreds of new magazines, radio stations and TV channels. Yet few new stars seem able to sustain long-term success in the crowded and competitive market, as Oasis, Pearl Jam, Nine Inch Nails and Green Day have discovered.

One consolation is the growing number of teenagers, who are by far the most prolific record buyers (15 to 19-year-olds account for 17 per cent of the $12bn US music market alone). A new crop of teen-oriented stars has already emerged, including Hanson, Aqua, Natalie Imbruglia and LeAnn Rimes.

Today's teenagers promise to become a long-term source of record sales by continuing to buy music into middle age, as the first wave of post-war "baby boomers" has done. Yet their buying habits threaten to be even more mercurial, which could create budgeting problems for record labels at a time when marketing costs are escalating.

There is also a strong probability that the young consumers of the future will prefer to have music delivered directly to their computers via digital distribution systems, such as the internet and high-speed cable TV networks, rather than buying it from shops.

Record companies should benefit from this trend, which will enable them to increase profitability by selling directly to consumers. But at present, the industry lacks the legal and technical safeguards needed to take advantage of digital delivery, and the process of securing them promises to be long and arduous.

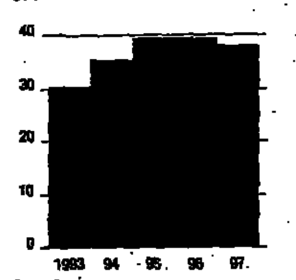
In the meantime, pirate juke boxes are posting free copies of new albums and singles on the internet. Unofficial estimates suggest that nearly 2,000 digital pirates are already operating worldwide, with scores of new ones launching each month.

The industry is trying to crack down on digital piracy, but it threatens to remain a problem even if record labels succeed in setting up their own properly protected digital systems. Labels may also face opposition from their traditional retail customers, who are likely to object to being by-passed.

There is also a risk of musicians cutting out record companies by releasing their own material over the internet, in digital versions of the independent labels launched in the 1970s by acts such as Frank Zappa and The Grateful Dead.

None of these obstacles has dented Mr Bronfman's determination to turn Seagram into the biggest of what, he hopes, will be the "big five" multinational music groups. EMI's staff and shareholders are waiting to see whether their company's prospective predators will be as resilient.

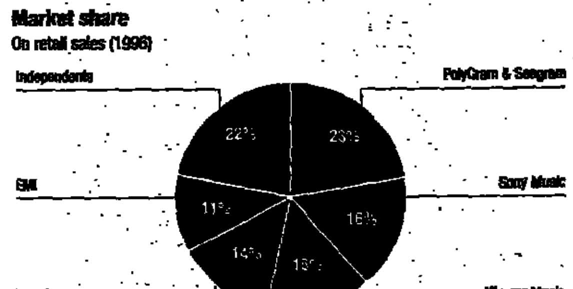
Retail value of global music market



Source: IFPI

Hanson

Market share
On retail sales (1996)



Source: Music Business International

PolyGram board considers Seagram offer

By Alice Rawsthorn

Philips, the Dutch consumer electronics company, will today decide whether to accept a $10bn-plus offer for PolyGram, its music and film subsidiary, from Seagram, the Canadian drinks and entertainment group.

Seagram yesterday submitted an outline offer of cash and shares to Philips for its 75 per cent holding in PolyGram. The Philips board, advised by Goldman Sachs, will discuss the offer at a meeting in Amsterdam today.

The Canadian group, represented by Morgan Stanley, is now finalising proposals to make a separate bid for the 25 per cent of the shares in public issue.

Both offers will be discussed by PolyGram's board at a meeting in New York tomorrow.

Subject to clearance by US anti-trust authorities, Seagram plans to integrate PolyGram's record labels – which include U2, Jon Bon Jovi, Bob Marley, Pulp and Hanson among their artists – into its Universal Music subsidiary.

It may sell PolyGram's Los Angeles-based film division, which has absorbed $1.2bn of investment over the past seven years and produced a string of box office hits including Bean, Trainspotting, Four Weddings And A Funeral and Fargo.

At least one European company is understood to have expressed interest in buying the film business, which is the largest European-owned film producer and distributor.

It is still lossmaking but expected to break even next year.

Selling to a European investor would defuse the risk of Seagram becoming embroiled in a political controversy in Europe if it merged the PolyGram film business into Universal, its Hollywood movie studio.

Edgar Bronfman Jr, Seagram chief executive, has yet to finalise a management structure for the merged music operations. He is understood to have held several private meetings with Alain Lévy, PolyGram's French-born president, in New York last week.

Mr Bronfman is believed to be working on proposals for a new structure including both Mr Lévy, who is highly regarded for his strategic skills, and Doug Morris, the head of Universal Music, noted for his close rapport with artists.

Bidders show interest in Rom Telecom share sale

By Kevin Done, East Europe Correspondent

Telecommunications groups from the Netherlands, Italy and Greece have submitted preliminary bids to acquire a strategic shareholding in Rom Telecom, the Romanian state-owned operator.

Telecom Italia has joined forces with KPN Telecom of the Netherlands in one consortium, and a rival bid has been received from OTE, the Greek operator.

The Romanian communications ministry said OTE was planning to form a bidding consortium with SBC Communications, the biggest US local telephone company.

Deutsche Telekom and France Telecom had expressed interest, but have pulled out of the talks.

The transaction is expected to be one of the biggest privatisations in central and east Europe this year. It is a crucial test of the resolve of the new Romanian government, formed last month, to accelerate the country's stalled reform programme.

Romania is seeking to sell a stake of 35 per cent to a strategic investor in a deal expected to value Rom Telecom at between $3.5bn and $4bn. The government is being advised by Goldman Sachs, the US investment bank.

About 5 per cent of Rom Telecom's equity will be distributed to the utility's 55,000 employees once a strategic partner has been selected. Later, it plans international and domestic share offerings.

All the bidders already have interests in east Europe. KPN is one of two foreign investors in SPT Telecom, the Czech operator, alongside Swiss PTT, and it also has minority stakes in the long distance operator in Ukraine and in mobile telephone operations in Ukraine and Hungary.

Telecom Italia and OTE linked last year to become the strategic shareholders in the Serbian telecoms utility. OTE is the strategic investor in Armenia.

SBC is bidding for Ameritech in the US, which is one of the strategic shareholders in Hungary's Matav.

The Romanian government said final offers would be invited from the two consortia in July, with the decision on the strategic partner for Rom Telecom to be made "shortly thereafter".

The privatisation of Rom Telecom is planned as one step leading to the full liberalisation of the telecoms sector in Romania by 2003. The strategic investor will have a monopoly on fixed-line services to the end of 2002.

The second most populous country in central Europe, after Poland, Romania offers attractive growth prospects.

However, a strategic investor will have to invest heavily to expand and improve the network, which is one of the most underdeveloped in the region.

Telephone penetration is only about 15 lines for every 100 people, and can fall to as low as 4-5 per cent in rural areas. There is still a waiting list of up to three and a half years for a new line.

Begemann to take over Tulip

By Gordon Cramb in Amsterdam

Begemann, the Dutch industrial investment group, plans to take over Tulip Computers, which when it entered receivership last month was Europe's sole independent producer of own-brand PCs.

Under an agreement in principle reached yesterday, the brand will live on. Production, however, will be in the hands of Ingram Micro, the California wholesaler of technology products. Ingram is to take a long lease on the factory opened by Tulip last year in Den Bosch, the southern Dutch town.

Start-up costs at the plant, which has annual capacity of about 1.1m units, contributed to the company's downfall. Under Ingram it will become the second of five "global integration centres", primarily serving computer re-sellers to which Ingram ships customised and tested systems.

The New York-listed Ingram, which had sales last year of $16.5bn, said in March its first such site would be in Memphis, Tennessee.

Begemann has agreed with the receivers that it will fund Tulip's production and marketing costs until June 8, when a deal should be finalised.

In return, it has exclusive rights to "investigate the potential for Tulip to continue trading". This shuts out other potential bidders, believed to include Vobis of Germany, which wanted only the separately held factory.

Tulip's equity position would be strengthened through a share issue giving Begemann a "significant majority holding". This would involve a substantial dilution for existing shareholders.

Tulip, founded in 1979, had sales of Fl 461m ($229m) last year, when it bought the Commodore brand from receivership. That took it into the fiercely competitive consumer market instead of the business segment on which it had concentrated.

NEWS DIGEST

FUEL CELLS

Ballard sees little effect from Daimler merger

Mossadiq Umedaly, chief financial officer of Ballard Power Systems, the Canadian group pioneering fuel cell technology, said yesterday that the recent merger between Daimler-Benz and Chrysler would not significantly affect his company's joint venture with the German company and Ford. Expanding the partnership to include Chrysler would provide additional critical mass for marketing the fuel cell, he said.

He was speaking as Ballard reported a first-quarter loss of C$8.2m (US$688,000), or 35 cents a share, reflecting increased funding for research and development activities. That compared with a loss last time of C$4.2m, or 28 cents.

Ballard, which has joint ventures with Daimler-Benz and Ford to develop fuel cells, as well as drive and power systems for electric vehicles, said revenues in the quarter fell almost 13 per cent to C$4.8m. Fuel cell demonstration programmes for buses in Chicago and British Columbia had moved from the construction phase to testing stage, contributing to the drop in revenues. Ballard, which formerly produced lithium batteries, has not made a profit since the beginning of the decade, when it focused on the research and development of fuel cells.

The company, which expects to be able to produce fuel cell engines for mass production by 2004, said it had C$151m in cash and short-term investments at the end of the first quarter. Shares in the company fell 80 cents to C$164.20 in early trading. **Scott Morrison, Toronto**

INSURANCE

Allied faces Nationwide suit

Nationwide Insurance Enterprise intensified its hostile takeover bid for Allied Group of Iowa yesterday, by filing a lawsuit accusing Allied's board of "entrenching itself" and "breaching their fiduciary duties".

The legal action highlights some of the corporate governance issues which are raised by the bid. Highly unusually, Nationwide, which is mutual, is making a hostile bid for Allied, which has a mutual holding company structure, where the company's shares are floated but a stake is retained by a mutual company.

According to Nationwide, which has offered $1.5bn in cash for the public company, and also wishes to merge the two mutual companies, the board of Allied "wields a virtually unassailable power to control nearly 20 per cent of the voting shares".

It points out that four of the six members of Allied Mutual's board are also officers of the quoted Allied Group. It also accused Allied Group of starting a stock buy-back programme as a "defensive response to Nationwide's offer". **John Authers, New York**

FOOD

Charge hits Campbell Soup

Campbell Soup said yesterday that its third-quarter loss of $90m – giving losses of 20 cents a share – reflected the effect of a $262m restructuring charge. Last time, net income stood at $157m and earnings amounted to 33 cents. Excluding the charge, Campbell's earnings per share before exceptional items came to 34 cents. This compared with a consensus of analysts' forecasts of 38 cents. Revenues were $1.57bn, against $1.54bn last time.

Third-quarter sales of soups and sauces rose 4 per cent to $1.01bn, with operating earnings, excluding restructuring charges, up 8 per cent to $243m. Sales in the biscuits and confectionery division rose 2 per cent to $361m, while operating earnings, excluding restructuring, advanced 3 per cent to $40m.

The food service division saw sales climb 13 per cent to $116m. Operating profits here, excluding restructuring, were up a more modest 7 per cent to $13m. The restructuring programme is designed to save $150m a year. **AFX News, New York**

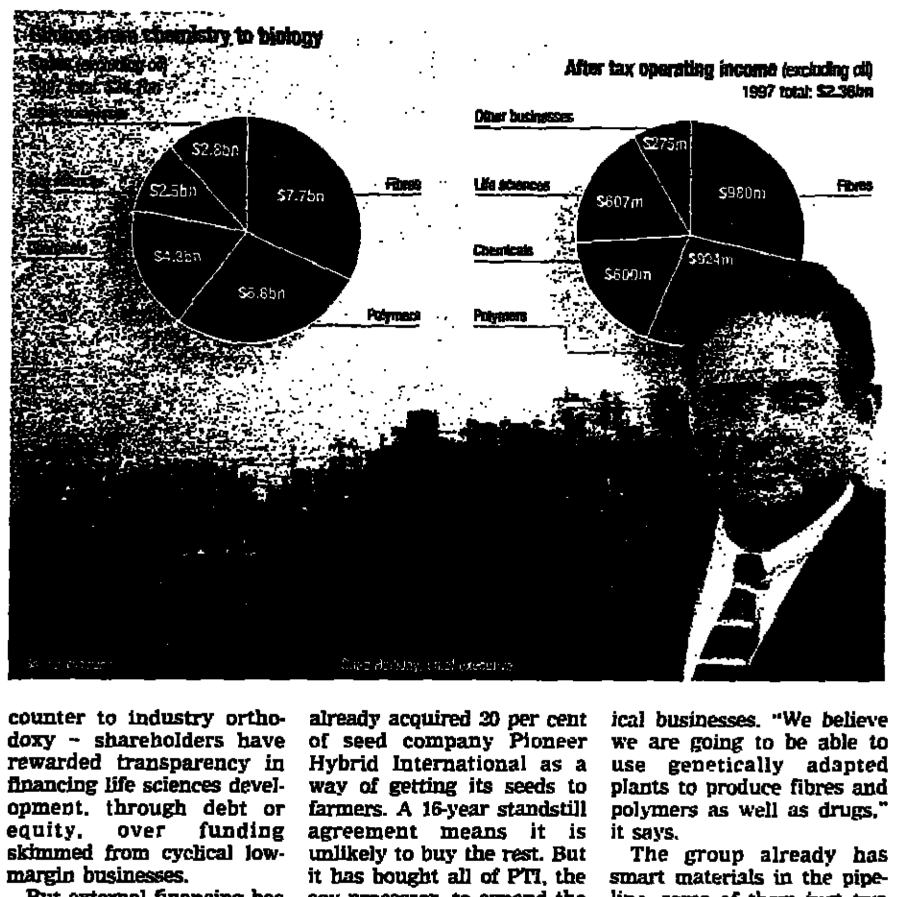
RETAILING

Home Depot beats forecasts

Home Depot, a fast-growing US chain of do-it-yourself superstores, beat analysts' forecasts of 43 cents for its first quarter, reporting earnings per share of 45 cents, a rise of 29 per cent over last time's 35 cents. Net income for the quarter advanced 30 per cent from $258.8m to $337.3m, while revenues climbed 28 per cent from $5.57bn. to $7.12bn. **AFX News, New York**

DuPont ready to open its purse to satisfy biotech vision

US group's acceleration in life sciences has caused a burst of speculation about likely alliances, writes **Jenny Luesby**



DuPont, lately cast as an industry laggard for its tenacious commitment to both chemicals and life sciences, last week brought satisfaction to Wall Street with the announcement that it is to sell off Conoco, its oil division.

Yesterday, it brought more joy with the $2.6bn buy-out of Merck's stake in the two companies' 50:50 pharmaceuticals joint venture.

But far from signalling DuPont's acceptance of the gains to shareholders from a break-up of the chemicals conglomerate, these moves are part of a quite different scheme. For what DuPont plans is a glide from chemistry to biology, in which all of its remaining businesses have a role to play, or so it claims.

Under the direction of its youngest ever chief executive, 49-year-old Chad Holliday, who took over seven months ago, DuPont has developed a vision that, if realised, would leave it without peers in the field of biotechnology.

Mr Holliday aims to expand the group's life sciences division, carved out last month, from 20 per cent of group sales today to 35 per cent by 2002.

In line with this, he has announced a rapid acceleration in life science investments. DuPont is not unusual in this. But it does have a larger purse than its rivals, with Conoco alone estimated to be worth more than $20bn.

This has caused a burst of speculation about likely targets for alliances, with Monsanto touted as an exquisite bolt-on.

Zeneca, of the UK, is also viewed as a possible match, which seems more possible.

Once at the head of the agricultural biotech pack, Zeneca experienced a change of heart some years ago and beat a retreat. Its interest has since revived, but it is now questionable whether it can realistically compete with DuPont, Monsanto and Novartis.

Meanwhile, it would satisfy DuPont's need to enhance its pharmaceuticals operation, over which it will now have full control for the first time in seven years.

The chances of a Monsanto tie-up are harder to call. Few believe such an alliance could secure approval from US competition authorities. In agricultural biotechnology, Monsanto specialises in input traits, making plants easier to grow. DuPont, meanwhile, leads the field in output traits, making plants taste better or reducing their saturated fat content.

"Put them together and you have created a Microsoft of the biotechnology industry," says Bill Young, chemicals analyst with Donaldson Lufkin & Jenrette in New York. "But never say never. I am sure DuPont would love to own Monsanto and it could certainly afford to."

Sano Shimodo, president of Bio Science Securities, a California-based investment firm, is not so sure. "Putting the two together looks good on paper but it would be a match built around biotechnology, an area where corporate culture really matters, not just because it is a business based on intellectual property, but more importantly because these businesses are still being created."

Such a culture clash might be considerable in light of the novelty of DuPont's vision for its biotech development.

Unlike Monsanto, Novartis and Zeneca, DuPont has no plans to divorce its life science and chemicals businesses. In last month's restructuring it set up two chemicals divisions: differentiated, or branded products, which will include businesses such as Lycra and Kevlar; and the Foundation division, which will hold the group's bulk chemicals.

It seems certain that some of its chemical businesses, even some in core areas, will be sold as the group shifts to biology. But the group appears determined to retain an overall structure that will see chemicals supplying both the cash and the marketing skills to expand life sciences.

This commitment to cash flow from chemicals runs counter to industry orthodoxy – shareholders have rewarded transparency in financing life sciences development, through debt or equity, over funding skimmed from cyclical low-margin businesses.

But external financing has subjected companies to the rollercoaster of biotechnology investor sentiment.

On the marketing side, however, the DuPont vision is clear cut. The group has repeatedly broken ground with its marketing efforts within chemicals, most notably with its links with textiles and clothing manufacturers and even retailers to promote and differentiate Lycra.

It now plans to do the same in life sciences. On the agricultural side, it has already acquired 20 per cent of seed company Pioneer Hybrid International as a way of getting its seeds to farmers. A 16-year standstill agreement means it is unlikely to buy the rest. But it has bought all of PTI, the soy processor, to expand the take-up of its genetically modified soy, and is "actively interested" in similar deals for wheat and corn.

In the meantime, it has struck agreements with both Cargill and Continental Grains for the processing and handling of genetically modified grain.

"The business system just does not exist for distinguishing branded products in these markets, so we are constructing it," says Michael Ricciotto, head of DuPont's agbio enterprises.

Mr Shimodo characterises this element of DuPont's strategy as "a web of structural business relationships" to capture as much value as possible from the farm to the market.

But there is more. DuPont also sees a role for biotechnology in renewing its chemical businesses. "We believe we are going to be able to use genetically adapted plants to produce fibres and polymers as well as drugs," it says.

The group already has smart materials in the pipeline, some of them just two to four years from commercialisation. Says one starstruck industry expert: "DuPont is aiming to shift the basis of the chemicals economy from hydrocarbons to carbohydrates. Just imagine what that will mean for the industry's raw materials: renewable, cheaper and clean."

Investors are less excited but they are getting interested. DuPont's refusal to abandon its conglomerate status has seen its rating running well below the S&P Composite index, but since October, and the arrival of Mr Holliday, the share price has risen more than 50 per cent.

But even if his vision is realised without a stumble, it will be years before the DuPont caterpillar truly emerges as a butterfly.

As one industry expert says: 'DuPont is aiming to shift the basis of the chemicals economy from hydrocarbons to carbohydrates. Just imagine what that will mean for the industry's raw materials: renewable, cheaper and clean.'

Kodak and AOL unveil online photography tie-up

By Richard Waters in New York

Eastman Kodak's renewed foray into digital photography picked up momentum yesterday as it announced an alliance with America Online, the largest online services company.

News of the venture, which will make it possible for AOL customers to have copies of their photographs delivered to their PCs, helped boost shares in the online company by nearly 5 per cent in early trading, as investors hoped it would provide another source of revenue for the fast-expanding company.

The alliance echoes recent moves by Eastman Kodak to kick-start its expansion into the digital world. Earlier attempts resulted in losses from digital products last year of $400m and a rethink by George Fisher, chairman, about how the company should move beyond the traditional world of silver halide film on which its business was founded.

Under the service unveiled yesterday – known as "You've got pictures!" – AOL customers would enter their online account number on a standard Kodak form when sending a film to be developed. The pictures could then be viewed online by clicking on a special icon on the AOL service.

The scheme is similar to a recent agreement between Kodak and Intel, which will include a service allowing customers to receive their pictures on CDs, as well as in traditional print form.

For Kodak, both services reflect a partial change of direction in its expansion into digital photography. The company has scaled back spending on digital cameras, which capture images electronically, and put more emphasis on finding simple ways of transferring images taken with traditional film on to computers.

Kodak maintains that consumers would still want prints of their pictures even if they can view them on a computer screen. The service with AOL will also include a way for users to order reprints or enlargements by e-mail, as well as merchandise such as mugs and t-shirts printed with their pictures.

Symantec joins IBM in anti-virus marketing

By Paul Taylor

Symantec, the PC anti-virus software market leader, and International Business Machines are to jointly market a new family of anti-virus products aimed at the corporate market under the Norton AntiVirus brand.

Under the terms of the agreement announced yesterday, Symantec will license IBM's "immune system" technology and combine it with its own technology to produce a range of new products designed to support secure electronic commerce.

IBM, which has assigned its existing anti-virus customer contracts to Symantec, will recommend the new products to its corporate customers and the two companies will sell and market them worldwide.

Symantec's existing anti-virus products are mainly aimed at the retail market, and the link with IBM should help the software group to expand its customer base in the corporate market.

"This will help build our position in the corporate world," said Gordon Eubanks, Symantec's chief executive.

In a related move, Intel, the US chipmaker, said it would incorporate IBM's anti-virus technology in Intel's LANDesk network management products.

Deere reaps benefit of strong US farm sector

By Nikki Tait in Chicago

A solid US farm economy helped John Deere, the US manufacturer of tractors and agricultural equipment, to beat analysts' expectations comfortably when it announced after-tax profits of $365.2m for the second quarter to end-April.

The result translated into fully diluted earnings per share of $1.45, up from $1.24 in the same period a year earlier and well ahead of the average $1.40 forecast.

The second-quarter profit was scored on sales 16 per cent higher at $4.07bn, bringing the total for the first six months to $6.92bn. Profits for the first half of the year now stand at $568m, a 15 per cent improvement on the same period a year ago.

Deere said that it had seen "strong retail demand" in its core domestic market, and overseas sales had remained at "favourable levels", although these were affected by currency movements and had been slightly lower than in the previous year.

"Overall, fundamentals of the farm economy are sound and the demand for farm equipment is expected to remain favourable," Deere commented. It predicted an increase of between 10 per cent and 12 per cent in sales volume for 1998 overall, with third-quarter volumes up by between 10 per cent and 14 per cent.

PHARMACEUTICALS COMPANY SEEKS 'STRATEGIC ALLIANCE' IN US TO SELL ITS MARIMASTAT ANTI-CANCER DRUG

British Biotech chief executive resigns

By Jonathan Guthrie

Keith McCullagh is to resign as chief executive of British Biotech in the wake of investors' concerns that the company mishandled its response to damaging disclosures by the head of clinical trials, who was sacked last month.

Mr McCullagh fired Dr Andrew Millar for sharing his concerns about the progress of drug trials with investors. His disclosures led to accusations that the company, formerly the flagship of the UK biotechnology sector, had deliberately misled shareholders with overoptimistic statements on the trials, which are vital to commercial success.

British Biotech's unwillingness to counter the suggestions infuriated investors. Perpetual, the investment manager with a 9.5 per cent stake in the company, suggested it might seek an extraordinary meeting of shareholders to consider removing Mr McCullagh.

The company said Mr McCullagh would step down at the annual meeting on September 23. John Raisman, chairman of British Biotech, said: "He has done nothing dishonourable; he judges it in the best interests of shareholders."

Mr McCullagh said he reversed a decision to stay on "in the light of consultation with colleagues on the board, shareholders and external advisers".

The company also said it was seeking a "strategic alliance" with a big US pharmaceuticals company to sell its blockbuster anti-cancer drug marimastat, which is still at trial stage, in the US market. It said "exploratory discussions" began this year. Directors said the alliance could include a partner taking a stake.

The company, which had been attacked by Dr Millar for "extravagant" spending plans, said it would make 42 staff redundant as part of a review that predated his dismissal. Combined with a hiring freeze, this will reduce the head count by 14 per cent from a peak in February of 450. Malcolm Fallen, finance director, said future costs would be far lower than analysts' forecasts. The company had cash of £132m at the end of April, expected to fund operations for at least three years.

The company yesterday published a detailed circular to shareholders intended to disprove suggestions of wrongdoing against the board prompted by Dr Millar's disclosures. Bob Yerbury, chief investment officer of Perpetual, said his worries about the company were largely assuaged by the circular, the cost-cutting and the impending departure of Mr McCullagh. The shares rose 4 per cent in early trading but closed 5 per cent down at 59p.

ABPorts bid for American Ports

By Jonathan Ford

Associated British Ports, the UK's largest ports operator, yesterday launched an agreed bid worth £106m ($177m) for American Ports Services, a London-listed company which operates car terminals at four US ports.

ABPorts is offering 190p cash for each APS share. This represents a premium of 15 per cent to the closing price on Wednesday May 6, the day before the companies announced they were in talks.

Shares in APS climbed 6¼p to 186p, while shares in ABPorts fell 2p to 365p.

APS directors have agreed to sell their 4.4 per cent stake to ABPorts. Jacobs Holdings, the shipping and ports group which has a 10 per cent stake, said it intended to accept the bid.

ABPorts is being advised by Dresdner Kleinwort Benson and APS by Close Brothers.

The deal is ABPorts' second move since completing a strategic review in March. On Monday it announced the purchase of Exxtor, a private company which owns a roll on-roll off terminal at Immingham, Humberside, for £15.8m.

APS operates six specialist terminals in the US which handle the import and export of cars. It recently entered a joint venture to develop a seventh terminal at Zeebrugge in Belgium. APS also manages two US airports.

The company, floated three years ago, warned in December that profits would fall after car exports through its Californian facility at Benicia slowed because of the Asian financial crisis. It reported a fall from £7.2m to £6.3m for 1997 on sales 33 per cent up at £37.5m.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberdeen Asset	6 mths to Mar 31	22.7	(10)	3.89♠	(3.28)	1.74	(2.89)	1.5	July 1	1.25	-	3.75
Berisford	6 mths to Mar 28	291.3	(261)	21.7	(38.9♥)	13.4	(24.1)	3.2☆	June 17	2	-	6.5☆☆
Brancote φ	Yr to Dec 31 ★	1.79	(0.139)	0.762L♠	(0.163L♠)	4.31L	(1.05L)	-	-	-	-	-
British Energy	Yr to Mar 31	1,954	(1,896)	276♥	(532♥)	28.6	(71)	9.8*	July 28	9.1	14.7	13.7
Buckland Invs φ	Yr to Jan 31	-	(-)	0.034L	(-)	2.48L	(-)	-	-	-	-	-
Care UK	6 mths to Mar 31 ★	18.8	(12.4)	2.41	(1.92)	4.5†	(3.81)	0.5	July 1	0.4	-	1.25
Chesterfield Props	Yr to Dec 31	44.5	(37.5)	3.69	(1.76)	17.49†	(11.35L)	9	-	9	13.4	13.4
Compass	6 mths to Mar 29	2,013	(1,718)	67.8	(56.4)	14.6†	(12.9)	3.5☆	Aug 28	3.1	-	9.8
Deanes	6 mths to Mar 31	4.16	(4.04)	0.534	(0.113L)	0.74	(0.16L)	-	-	-	-	-
Enterprise Inns	6 mths to Mar 31	35.9	(23.6)	6.75♠	(6.16)	8.2	(9.9)	2.8	July 3	2.5	-	7.5
Greenalls	6 mths to Mar 27	474.3	(557.7)	65.5	(57.8♠)	17.65	(15.65)	7.2	July 3	6.7	-	16.71
Helphire	Yr to Mar 31	25.5	(10)	2.5	(1.06)	10.9†	(8.7)	0.8	July 22	-	1.2	-
Hozelock	6 mths to Mar 28	24.3	(22)	2.09	(3.07♥)	5.9	(8.5)	3.4	July 16	3.4	-	11.3
Imperial Tobacco	6 mths to Mar 28	2,005	(1,944)	146	(143)	19.6	(18.6)	7.6	Aug 14	7.2	-	21.4
Jarvis Porter	Yr to Feb 28	101.2	(95.4)	14	(10.4♠)	20	(14.6)	5.3	July 29	5	7.8	7.35
Marks and Spencer	Yr to Mar 31	8,243	(7,842)	1,168♥	(1,102)	29.1	(26.7)	10.7	July 31	9.7	14.3	13
Merchant Retail	Yr to Mar 28	67.4	(60.9)	3.04	(1.77)	2.38†	(1.43)	0.4	Aug 1	0.25	0.5	0.25
Metroline	24 wks to Mar 27	17.8	(16.6)	2.62	(2.09)	9.5	(8.05)	2.1	Aug 10	-	-	1.8
Newsquest	14 wks to Apr 5 #	79.5	(71)	17.3	(9.02)	-	(-)	-	-	-	-	-
Reflex ♣	Yr to Dec 31	2.95	(3.62)	1.03L♠	(0.052♥)	2.47L	(0.14)	-	-	-	-	-
Royal Sun Alliance	3 mths to Mar 31	2,417□	(2,305□)	89♠	(209)	0.7	(8.7)	-	-	-	-	21
SCS Upholstery	6 mths to Mar 31	14.4	(10.3)	1.55♠	(1.11)	2.6‡	(2.1)	1.1	Aug 5	-	-	-
Slimma	6 mths to Apr 3	11.1	(10.8)	0.252	(0.401)	1.69	(2.61)	1.45	Aug 26	1.45	-	3.7
Tunstall	6 mths to Mar 31	41.3	(35.8)	2.86	(3.09)	5.6	(6)	1.85	July 9	1.85	-	5.17
Wensford Invs	Yr to Dec 31	13.3	(12.5)	9.13	(9.86)	16.36	(18.33)	5	Oct 5	5	7.75	7.75

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Brit & American	Yr to Dec 31	136	(117)	1.01	(1.06)	4.04	(4.25)	2.25	June 25	2	3.5	3
MCIT 1996	Yr to Mar 31	540.8	(462.9)	3.39	(3.25)	22.62	(21.68)	8	July 1	7.5	17.5	16.5
MCIT 1995	Yr to Mar 31	60.1	(50.3)	3.61	(3.17)	5.56	(4.87)	2	July 1	-	4.5	4.25

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ☆Foreign income dividend. ☆☆Includes FID element. †On increased capital. ‡On reduced capital. φAim stock. *Special of 10p also proposed. #Comparatives for 13 weeks. ♣Irish currency. □Net premiums.

Nikko Europe wins auction for Roadchef

By Simon Davies

Roadchef, the UK's third largest motorway service station operator, was yesterday sold to the principal finance arm of Nikko Europe for £174m ($290m) including debt, compared with initial expectations of about £150m.

The deal will leave Roadchef's largest shareholder, Tim Ingram Hill, with £75.2m of cash and an equity stake in the buy-out company valued at £12.5m.

It follows Nomura International's principal finance acquisitions of William Hill, the betting group, and Inntrepreneur, the largest owner of UK pubs.

Nikko won an aggressive auction, with other interested parties including Granada, Compass, Asda, National Express and Cinven. It ended in a battle with fellow Japanese investment bank, Nomura International.

This is the first big deal for Nikko's principal finance group, which was set up by a group of people from Nomura last year. It is understood Nomura had initially put in an offer of £179m, but subsequently reduced its bid. Sources close to the deal said they had miscalculated on Nikko's offer.

Keith Howard, managing director of Nikko's principal finance group, said his team had done extensive due diligence, including examining environmental liabilities. These had been suggested as another reason Nomura reduced its offer, but he was adamant they had found little cause for concern.

Nikko is taking the existing management, which bought out Roadchef in 1983, and will retain 25 per cent of the new company. "We will provide capital, and structured finance products, and they will provide the vision on how to expand the business," said Mr Howard.

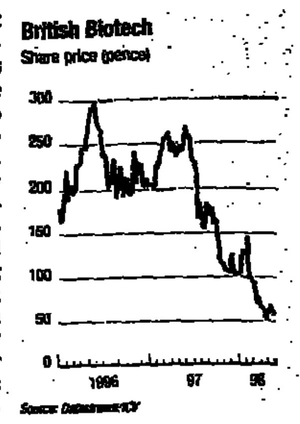
The Japanese bank plans to refinance a portion of its acquisition costs by issuing asset-backed securities, in three or four months' time.

This will follow the pattern set by Investcorp, the Bahrain-based investment group, which paid £476m for Welcome Break, the UK's second-largest service station group, and financed it through the bond market last year.

Mr Ingram Hill said Roadchef had been held back by its financial resources, compared with those of Welcome Break and Granada. The group operates 12 sites, and three under development.

COMMENT

British Biotech



A salvage operation is at last in full swing at British Biotech. Keith McCullagh is resigning as chief executive – not that he is admitting to anything, even over-optimism on drugs' prospects. Still, one must assume a new face will carry more credibility. A refreshingly conservative tone has been introduced into the account of ongoing trials. And the company that once wanted to go it alone in North America is now actively seeking a big brother partner: it badly needs endorsement from an industry bastion. As for the whistle blower, Andrew Millar, he will not be a candidate for the chief executive's job. As usual in such assaults, the value of exposure has been diluted by damage to the company's reputation. Investors now have only themselves to blame for any more over-exuberance about the stock.

TI Group

And another one bites the dust. TI's gobbling up of engineering minnow EIS continues the recent trend of unloved small companies leaving the market through bids and buy-outs. EIS shareholders may have bowed out with a 46 per cent premium to Monday's price, but that is only partial compensation for the engineer's 54 per cent underperformance over the past five years. At 0.6 times 1997 sales and 9 times operating profits, TI Group has hardly overpaid. The market's reaction in taking the shares down 3 per cent seems rather churlish.

Indeed, since EIS's two businesses have operating margins of about 7 per cent, compared with TI's 13 per cent, there is plenty of room for improving returns in the medium term. Furthermore, the strategic fit is excellent, offering TI probably greater synergies than available to other potential bidders. EIS's aerospace businesses will bolster Dowty, which has looked rather thin following the recent sale of its stake in Messier-Dowty.

But most interesting will be the next moves of TI's fluid technology business, John Crane. Strengthened with some £200m of sales from EIS, Crane is hankering after Vicker's Kamewa propulsion business. If TI wants to shake off lingering market doubts about its new management, prising loose this jewel in Vickers' crown would be an excellent start. With new faces at Vickers too, this should not be ruled out.

British Energy surprises

By Virginia Marsh

British Energy, the nuclear generator, yesterday unveiled better than expected results for last year and surprised the market with a 10p special dividend. It also said it was looking at restructuring its balance sheet after eliminating some £700m ($1.17bn) of debt over the past two years.

Pre-tax profits trebled to £191m (£61m) on sales of £1.95bn (£1.87bn).

Analysts suggested the company, which is seeking to buy back up to 10 per cent of its shares, could return cash to shareholders and expand in north America.

Mike Kirwan, finance director, said the dividend related to revised contracts with British Nuclear Fuels.

TI launches agreed £267m bid for EIS

By Andrew Edgecliffe-Johnson

TI Group announced a £267m ($446m) agreed bid yesterday for EIS Group, the fluid-technology and aerospace group, expanding two of its four divisions substantially and raising expectations that it will pursue Vickers' £150m marine propulsion business.

Sir Christopher Lewinton, chairman, said TI could afford another £500m of acquisitions despite having spent £500m on three deals since March. "You will see the momentum continuing," he said.

The specialist engineering group is understood to be particularly keen on a bid for Kamewa, the marine propulsion business of Vickers, the tanks and engines group which is selling Rolls-Royce Motor Cars.

Analysts said the bid for EIS, which supplies couplings between the gas turbines and gear boxes on naval destroyers, would give TI about £200m of turnover in marine propulsion, and a broader product range than Kamewa.

The figure assumes that TI will spend about £100m shortly to take full control of Lips, the Dutch marine propulsion business of which it owns 30 per cent. It compares with Kamewa's sales of about £150m.

Bill Laule, chief executive, said the EIS bid was effectively two bolt-on acquisitions. EIS would add about £240m of fluid technology sales to the John Crane sealing systems division, which had annual sales of £411m, he said, and would increase Dowty Aerospace's £300m sales by about £200m.

Analysts said the bid answered doubts about TI's commitment to aerospace, following its £207m exit from the Messier-Dowty landing gear joint venture.

The offer values EIS at 505p per share – 46 per cent above their level on Monday – and prompted a leap in its price from 346p to 500p.

Paul Compton, engineering analyst at Merrill Lynch, said he was surprised that EIS's board recommended a bid worth just 53 per cent of last year's sales and 9.4 times 1997 operating profits.

The bid comes after five years in which EIS's shares have fallen 50 per cent behind the engineering sector. One analyst said: "EIS's mistake was that it tried to chase all the girls, rather than focus on its most attractive niche businesses."

EIS began to restructure after buying Aerostructures Hamble, the ill-fated aircraft parts maker, in 1995, but TI is expected to sell more than 15 per cent of its remaining businesses. Peter Haslehurst, EIS chief executive, said Aerostructures had returned to the black, and that "it was only correct we should recommend" TI's terms. He and Jack Hobbs, finance director, are expected to leave with compensation after a handover period.

M&S warns of costs of £2.2bn expansion

By Peggy Hollinger

Sir Richard Greenbury, chairman of Marks and Spencer, yesterday added his voice to the gloom gathering over the UK retail sector as he warned that trading would become increasingly difficult over the next year.

"The boom that took place in the home furnishings and consumer durables markets in 1996-97 is quite clearly over," he said. "With less money available [to the consumer] retailing is going to get tougher and tougher."

Yet M&S also said it was going ahead with an aggressive £2.2bn ($3.7bn) expansion programme, which Sir Richard warned would hold back profits growth this year. "These investments, essential for the long-term progress of the business, will affect our results in the short term," he said.

His comments came as M&S reported pre-tax profits 6 per cent ahead at £1.17bn, helped by an exceptional £53.2m VAT credit, on sales 5.1 per cent up to £8.24bn for the year to March 31.

Although the results were largely in line with analysts' forecasts, some brokers cut expectations for the current year by about £80m to £1.11bn, before exceptionals. This would mark M&S's first reversal in pre-tax profits since 1992. However, most analysts said the relatively flat earnings performance should give little cause for concern as it was largely due to a number of exceptional costs and investments, and the effects of adverse currency movements.

M&S plans to add 1.5m sq ft of retail space in the UK, an increase of almost 14 per cent, expected to be evenly divided between food and non-food. It is also set to invest £300m overseas over the next two years, to add some 900,000 sq ft.

In the UK, M&S reported a 5.5 per cent rise in retail turnover to £6.7bn. The overseas business returned operating profits some £23.5m lower than last year at £67.9m. Sales fell marginally from £1.28bn to £1.27bn.

Lex, Page 14

Francis Mackay celebrates the company's World Cup catering contract with a confectionery trophy Tony Andrews

Compass breaks £2bn barrier

Value of new contracts signed this year alone will make group sixth largest food business in the world

By David Blackwell

Compass Group, which has grown to be one of the world's biggest contract caterers, pushed turnover above £2bn ($3.3bn) in its first half, helping to lift profits by 20 per cent.

The group, which earlier this year entered the FTSE 100 index, is planning a 2-for-1 share split following the sharp rise in the price over the past few months.

Yesterday the shares added a further 25p to close at £11.40, up from 785p in February when Accor, the French hotel group, sold half of its 10 per cent stake in Compass.

Francis Mackay, chief executive, said the value of new business signed this year alone would make the group the sixth largest food business in the world.

Mr Mackay singled out the global contract with Philips Electronics, which will add 270,000 potential customers, and the contract with KPN, the Dutch telecommunications group, which employs 120,000.

Pre-tax profits for the six months to March 29 rose from £56.4m to £67.8m on sales of £2.01bn (£1.72bn). Like-for-like sales were ahead 8 per cent.

Earnings per share expanded 13 per cent to 14.6p (12.9p), and the interim dividend is raised by a similar amount to 3.5p (3.1p).

The group, which makes more than 80 per cent of sales outside the UK, said that earnings would have been 28 per cent higher at constant currencies.

Compass will continue to make earnings enhancing bolt-on acquisitions, but the main foundations of the group have been firmly laid. All three divisions – the UK, Europe and the US – continue to improve margins as the focus is switched to organic growth and better use of purchasing power.

Yesterday the group outlined its plans to reduce the 150 blends of coffee it uses across Europe to less than 10, and the number of suppliers from 30 to effectively one main supplier, which it expects to provide up to 90 per cent of its coffee. This exercise is just getting under way, and could be applied to other goods such as canned vegetables, and frozen fish and meat.

The group also reported that trials of a new modular form of staff restaurant making better use of branded goods had led to a 60 per cent rise in sales. The success of the acquisition-led years is underlined by the multiple of 32 on estimated full-year profits of £160m.

Berisford plans global expansion

By Arkady Ostrovsky

Berisford, the industrial group, intends to spend £200m ($334) on acquisitions to position itself as a global supplier of catering equipment to international food chains.

Reporting a 41 per cent increase in underlying profits in the first half, it said yesterday there was a great need for consolidation in the cooking equipment sector – which could be followed by similar moves in the kitchen retail market.

Berisford owns Welbilt, the US supplier of catering equipment to McDonald's and Burger King, and Magnet, the UK domestic kitchens chain.

Alan Bowkett, chief executive, said the expansion plans would be financed through borrowings: "We have tidied up our numbers and are ready for expansion, which could consist of two stages. First we would follow international chains such as McDonald's, and than we will try to penetrate local markets."

Mr Bowkett said the $11bn catering equipment market was highly fragmented and there was no single supplier to provide a whole range of products and services to companies such as McDonald's.

Berisford reported growth in underlying profits up 41 per cent to £21.7m (£14.5m) for the six months to March 28. Including exceptionals, profits fell from £38.9m to £21.7m on. Turnover rose 9 per cent to £291.3m (£261m). Analysts lifted full-year forecasts from £45m to £47.5m.

Welbilt pushed operating profits to $34.7m ($31.2m) while Magnet increased operating profits 69 per cent to £5.9m (£3.5m).

Mr Bowkett said the conversion of the £230m of loan stock was becoming more attractive as the share price increased.

The shares gained 15.5p to 248½p.

INFORMATION TECHNOLOGY E-COMMERCE

Fear and enterprise on the net

Internet commerce between US businesses is forecast to exceed $300bn within four years

e-question

'How will e-commerce change the rules for doing business?'

It is a powerful, dislocating force that can overturn the constraints of location, scale and time zones. It has the potential to undermine existing businesses and present huge opportunities to unknown start-ups. It could, in the words of Bill Gates, head of Microsoft, the world's largest software company, usher in "a new world of low-friction, low-overhead capitalism".

This is electronic commerce, the emerging electronic marketplace that, according to some forecasts, threatens to reshape business.

Yet, up to now, many companies have ignored e-commerce. They have watched as a succession of much-publicised ventures have crashed and even the best have struggled to translate success into profits. This has created an impression that the internet is a dangerous sales channel that can, for now, be left to others.

Such views look increasingly untenable. As e-commerce develops, companies must be alert to the opportunities and the threats it presents.

This argument stems partly from the likely scale of e-commerce. In the US, the internet influenced an estimated $7.5bn of consumer sales last year, according to Cyber Dialogue, the research organisation. By 2002, internet commerce between US businesses is likely to exceed $300bn, says the US Department of Commerce. But it is also based on the potential of e-commerce to change the rules of business.

From the start, it has been clear that the free flow of information about buyers and sellers on the net could undermine the role of intermediaries. In the US, airlines have slashed the commissions paid to travel agents as more customers book online.

But cutting out the middleman is just one possibility. As Shikhar Ghosh, chairman of Open Market, an e-commerce software company, argues in the March edition of Harvard Business Review: "The ubiquity of the internet – the fact that anyone can link to anyone else – makes it potentially possible for a participant in the value chain to usurp the role of any other participant.

"Once companies establish an electronic channel, they could choose to become pirates in the value chain, capturing margins from other participants up or down the chain."

Not only could a book publisher bypass retailers or distributors and sell directly to readers, but internet book sellers such as Barnes & Noble and Amazon.com could publish their own books using the information they have obtained about their readers' interests.

This presents a dilemma for established companies with physical distribution chains. If they do not compete electronically, they will lose business to companies that do. But if they switch to the internet, they risk damaging long-standing relationships that yield the bulk of their income.

Yet the balance of power in the supply chain will not necessarily move against the middleman. Distributors may fight back against the threat of manufacturers selling direct or choosing new intermediaries. By taking control of customer information, an online distributor could demand bigger discounts and squeeze manufacturers' margins.

Equally, suppliers and distributors could opt for a co-operative relationship – mirroring the trend towards collaboration in the physical world. By working together and sharing information, they will be able to reduce errors, lead times and stock.

Yet companies must be vigilant against an even greater internet threat: the creation of an ultra-efficient, transparent market.

This can be illustrated by InsWeb Corporation, which allows customers to compare prices for several different products including health, life and car insurance. Although side-by-side comparisons could damage the pricing strategies of individual providers, they may be unable to resist being listed on the site, says Mr Ghosh. If InsWeb can get enough traffic to its site, laggard insurers will have little choice but to participate.

Another source of anxiety for companies fearing cut-throat competition on the net is the emergence of "agents" or "bots" – software that can scour merchants' web sites seeking the best deal.

Loyalty may seem an alien concept in a world where alternative vendors are just a mouse click away. Yet there are good reasons for believing that the web could become what Mr Ghosh describes as "a naturally concentrating medium", in which a few companies meet the needs of large segments of the global market.

The internet overturns many of the traditional reasons for having numerous suppliers in an industry. If the product or service can be easily delivered, there are no physical constraints on the location of cyberstores.

The companies that come to dominate the net may be the pioneers, which can secure important advantages over latecomers. They can use information about their customers to tailor their offerings and they may even be able to foster a sense of community among users. Part of the appeal of Amazon.com is the book reviews posted by readers.

Not every established business needs to regard the web with trepidation. Some retailers will be protected because their customers do not have access to, or enthusiasm for, the web; or prefer to try the goods before buying.

But companies selling travel, computers, entertainment, books and music can expect a significant part of their industry to move online. Above all, e-commerce will affect companies that sell to other companies, where small price differences can yield big savings and large volumes of business are already done remotely.

For these companies, an inability to grasp the significance of e-commerce could be enormously damaging. "It is going to be quite bloody," predicts Emily Green, managing director of Forrester Research. "The internet does not wipe out markets, but it resculpts them. It is an enormously destructive force."

Vanessa Houlder

This article is the first in a weekly series examining business and the internet.

LOUISE KEHOE
EAGLE EYE

Progress is pushing at an open portal

Push technology is giving way to the latest fad in gateway web sites

A year ago, push technology was all the rage. For a time, this approach to "broadcasting" information to subscribers' computers, rather than expecting them to find web sites on their own, seemed to be the ticket to success for web publishers.

But the excitement didn't last. Of the dozen or so companies formed on the back of the push fad, few have enjoyed success. Those that survived no longer use the term "push", which is now considered as exciting as leftovers.

Marimba, one of the most prominent push technology companies, has recast itself as a supplier of tools for updating or distributing software applications via the internet. Pointcast, a push channel pioneer, has switched its focus from software to content. As it prepares for its initial public share offering, Pointcast is presenting itself as an aggregator of content from various web sources. The company collects articles and information on specialised subjects and delivers them to business users.

Push may not have lived up to the hype, but never fear, there is a new fad sweeping the web publishing business. Portals, or gateway web sites, are now the hot topic.

The idea is that users will become accustomed to a particular portal site and use it routinely as their way into the web. Yahoo! and America Online are the most established portals, but Netscape, Excite, Infoseek and many others are jumping on the bandwagon.

Like push channels, portals are designed to make web use simpler. With search facilities, messaging service, telephony and shopping, they make it easier for users to find their way round the web. Also like push channels, web portals are designed to grab users' attention for long enough to show them lots of advertisements.

Portals seem promising. But promoters should be mindful of the rise and fall of push technology. To many web users, it felt too pushy – they tired of the constant flow of information and turned it off. Similarly, if web users feel they are being captured or confined by a portal, they may move on.

* * *

The Clinton administration is finally taking a stand on privacy issues. In a speech in New York last week, vice-president Al Gore called for legislation to ensure the privacy of personal medical records stored in computers.

He also announced plans for a new opt-out web site (www.consumer.gov) where individuals can remove their names and addresses from junk mail and telemarketing lists. The site will also let individuals stop their personal information being sold to marketers and prevent companies checking their credit records without permission.

These practices were common long before the internet became popular. However, web sites can cull vast amounts of information about individual consumers' interests more quickly and inexpensively than traditional methods. So placing limits on how personal information can be used is all the more vital.

Opt-out features are not yet available on the consumer.gov web site, but it is worth a visit anyway. Although aimed at US consumers, the site offers information of value to all web users. In particular, the consumer site provides details of scams that have been uncovered by federal regulators – including some of the "get rich quick" schemes distributed via e-mail and the web. If you need persuading that these messages are not worth the paper they are not written on, check out this site.

* * *

Apple Computer is famous for inventing – or at least making – the first commercially viable product that brought a graphical user interface to the PC screen. For a while, the look and feel of the Macintosh was unique. Now it seems that Apple is once more relying on "look and feel" to make a comeback. This time, it is in the shape and colour of the box that houses the computer.

This is what it has come down to. Apple's iMac provides little more than standard PCs in its price range, and less than many. Yet it has style – a space-age design that looks like something the Jetsons would use with luminescent blue sides and a light-up mouse.

But for a breakthrough development, Macintosh fans must wait until late 1999, when Apple says it will deliver a fully updated version of its ageing Mac operating system, until when users and software developers can look forward to six-monthly updates. However, users and software developers must decide now whether Apple will, this time, deliver on its promise.

The novelty of an illuminated mouse could wear off long before then.

EURO PRICES

EQUITIES

Europe gains on US rate hopes

EUROPEAN OVERVIEW

By Martin Dickson

Trans-European equity indices rose yesterday as fears faded of an immediate US interest rate increase and Indonesia's political turmoil appeared to ease.

The FTSE Eurotop 300 index rose 15.34 points to 1,217.34, while the Eurotop 100 index rose 35.55 to 2,794.33. The Ebloc 100, which tracks companies from founder members of European monetary union, rose 16.23 to 1016.62.

The market gained early in the day on overnight recovery in Asia following the announcement by Indonesia's President Suharto that he would hold democratic elections. The tone was reinforced by a positive start on Wall Street, where fears faded that the Federal Reserve would tighten monetary policy at its meeting later in the day.

In the bond markets, German government prices were marginally higher, with the benchmark 10-year issue trading late in the day at 102.11, up 0.11 on Monday night, to yield 4.98 per cent.

The best performing Eurotop sector was life insurance, which gained 3.2 per cent, with the Netherlands' Aegon up Ecu 5.7 at Ecu 129.95 and Britain's Prudential up Ecu 0.3 at Ecu 11.82.

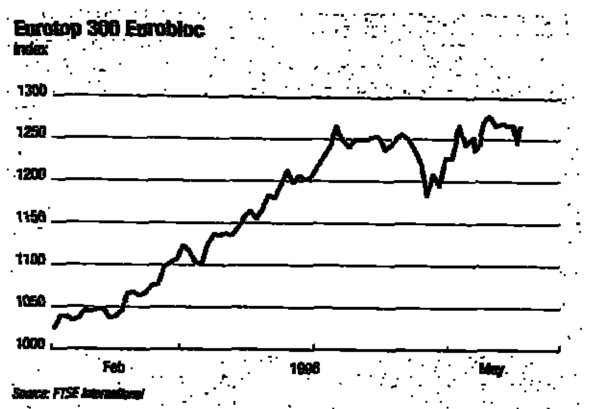
General insurance gained 2.2 per cent, with Allianz up Ecu 10.8 at Ecu 297.20 and Axa Ecu 2.5 ahead at Ecu 105.83.

Bank stocks recovered some recent losses on fears of exposure to Asian markets, with the sector 1.81 ahead and good performances from Société Générale, up Ecu 7.8 at Ecu 184.41, Deutsche Bank, up Ecu 2.0 at Ecu 79.84, and Banco Popular, Ecu 3.6 ahead at Ecu 78.86.

Food retailers advanced 1.95 per cent, helped by the announcement that Ahold of the Netherlands was bidding for the US supermarkets group Giant Food, and was buying up J. Sainsbury's minority stake in the business. Ahold jumped Ecu 1.7 to Ecu 30.86, while Sainsbury gained Ecu 0.5 to Ecu 7.58.

Sectors which ended in negative territory included healthcare, leisure and hotels, oil exploration and property.

France Telecom led a 1.73 per cent advance in the telecoms sector. Its shares rose Ecu 2.3 to Ecu 50.72 while Deutsche Telecom put on Ecu 0.6 to Ecu 24.16.



Source: FTSE International

THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.750	95.745	-0.005	95.750	95.740	370	12303
Sep	95.780	95.780	-	95.800	95.770	717	17512
Dec	95.800	95.805	-	95.800	95.800	10	7203
Mar	95.780	95.795	-	95.780	95.780	5	5187

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Jun	Jul	Aug	Sep	PUTS Jun	Jul	Aug	Sep
95750	0.055	0.080	0.095	0.110	0.060	0.040	0.055	0.070
95875	0.015	-	-	-	0.145	-	-	-

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	2773.0	2798.0	+40.0	2790.0	2773.0	55	588
Sep		2822.0	+40.0			0	5

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

[illegible]

Calls - Puts - Premiums shown are based on settlement prices.

OTHER INDICES

	May 19	May 18	May 15	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3280.72	3291.71	3291.34	3396.08	2574.51	3396	2376.42
DJ Euro Stx 50	3313.72	3253.33	3304.09	3346.86	2466.51	3346.86	2865.52
MSCI Europe	1212.81	1220.00	1219.13	1240.82	960.50	1240.82	510.78

Source: Eurotrust of FT Information. *Subject to revision next day. †Is unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

May 19 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1217.34	+1.28	+15.34	1.95	12.18	1239.42
FTSE Eurotop 100	2794.33	+1.29	+35.55	2.02	10.04	990.62
FTSE Ebloc 100	1016.62	+1.62	+16.23	1.61	4.77	1021.45
FTSE Eurotop 300 Regions						
Eurobloc	1268.70	+1.61	+20.06	1.59	8.43	1282.37
UK	1125.64	+0.68	+7.59	2.84	18.08	1162.68
Europe Ex-Eurobloc	1176.76	+0.95	+11.07	2.33	14.70	1204.02
Europe Ex-UK	1270.21	+1.58	+19.76	1.52	8.82	1282.60
FTSE Eurotop Industry Sectors						
RESOURCES	1034.58	+0.11	+1.13	2.67	13.08	1062.84
Extractive Industries	921.44	-0.19	-1.72	2.80	0.00	921.44
Oil, Integrated	993.41	+0.14	+1.43	2.67	6.09	999.57
Oil, Exploration & Prod	1042.47	-0.85	-8.89	2.32	0.00	1042.47
GENERAL INDUSTRIES	1207.10	+1.03	+12.35	1.79	10.27	1221.05
Construction	1034.89	+1.37	+13.96	2.92	0.00	1034.89
Building Matls & Merchs	1057.82	+1.05	+10.95	2.50	0.00	1057.82
Chemicals	1021.82	+0.03	+0.28	2.11	8.65	1030.73
Diversified Industrials	1015.11	+2.30	+22.87	1.87	4.24	1019.37
Electronic & Elect Equip	1043.20	+1.07	+11.02	1.58	0.00	1043.20
Engineering	1019.99	+0.20	+2.06	2.26	1.02	1021.00
Paper, Pckg & Printing	1022.74	+0.78	+7.93	2.30	0.00	1022.74
CONSUMER GOODS	1141.00	+1.15	+12.94	1.63	9.85	1163.30
Automobiles	1047.17	+1.86	+19.12	0.86	1.98	1049.12
Alcoholic Beverages	984.18	+1.02	+9.95	2.34	1.86	986.04
Food Producers	1004.24	+1.26	+12.51	1.61	2.22	1006.48
Household Goods & Texts	1026.59	+0.66	+6.77	1.20	0.72	1027.31
Healthcare	993.20	-0.27	-2.68	2.31	0.00	993.20
Pharmaceuticals	976.46	+1.28	+12.39	1.36	1.03	977.48
Tobacco	983.17	+0.55	+5.36	4.31	0.00	983.17
SERVICES	1160.54	+1.09	+12.52	1.93	9.59	1179.57
Distribution	982.68	+0.88	+8.53	1.00	2.70	985.34
Leisure & Hotels	1002.39	-0.26	-2.65	2.40	0.00	1002.39
Media	1027.65	+0.43	+4.38	2.23	1.29	1028.94
Retailers, Food	982.54	+1.95	+18.78	2.06	4.99	987.59
Retailers, General	1009.20	+0.47	+4.76	2.22	0.00	1009.20
Telecommunications	997.89	+1.73	+16.99	1.70	2.31	1000.19
Breweries, Pubs & Rests	947.93	+0.18	+1.71	2.83	4.91	952.80
Support Services	982.44	+0.02	+0.24	1.32	3.20	985.65
Transport	1017.21	+0.03	+0.32	2.36	0.59	1017.82
Information Technology	1016.91	+1.61	+16.16	0.40	2.23	1019.22
UTILITIES	1286.56	+1.01	+12.91	3.36	23.71	1326.05
Electricity	979.22	+0.97	+9.39	3.49	0.00	979.22
Gas Distribution	991.18	+0.79	+7.77	1.85	83.72	1081.36
Water	964.74	+1.67	+15.88	5.21	0.00	964.74
FINANCIALS	1345.44	+2.01	+26.50	1.87	15.38	1369.02
Banks, Retail	981.09	+1.81	+17.42	2.12	4.84	985.88
Insurance	977.09	+2.22	+21.25	1.30	3.23	980.29
Life Insurance	986.69	+3.20	+30.60	1.61	3.19	989.96
Other Financial	995.29	+2.10	+20.45	1.97	6.00	1001.25
Investment Companies	1116.59	+2.82	+30.58	1.97	0.00	1116.59
Property	830.37	-0.05	-0.49	2.84	0.00	830.37

FTSE EUROTOP 300

Name | Price (Ecu) | Chge + or - | Mkt cap Ecu(bn) | Vol (m) | Yld

ALCOHOLIC BEVERAGES — AUTOMOBILES — BANKS, RETAIL — BREWERIES, PUBS & RESTAURANTS — BUILDING MATERIALS & MERCHANTS — CHEMICALS — CONSTRUCTION — DISTRIBUTORS — DIVERSIFIED INDUSTRIALS — ELECTRICITY — ELECTRONIC & ELECTRICAL EQPT. — ENGINEERING — EXTRACTIVE INDUSTRIES — FOOD PRODUCERS — GAS DISTRIBUTION — HEALTH CARE — HOUSEHOLD GOODS & TEXTILES — INFORMATION TECHNOLOGY — INSURANCE — INVESTMENT COMPANIES — LEISURE & HOTELS — LIFE INSURANCE — MEDIA — OIL, EXPLORATION & PRODUCTION — OIL, INTEGRATED — OTHER FINANCIAL — PAPER, PACKAGING & PRINTING — PHARMACEUTICALS — PROPERTY — RETAILERS, FOOD — RETAILERS, GENERAL — SUPPORT SERVICES — TELECOMMUNICATIONS — TOBACCO — TRANSPORT — WATER

[illegible]

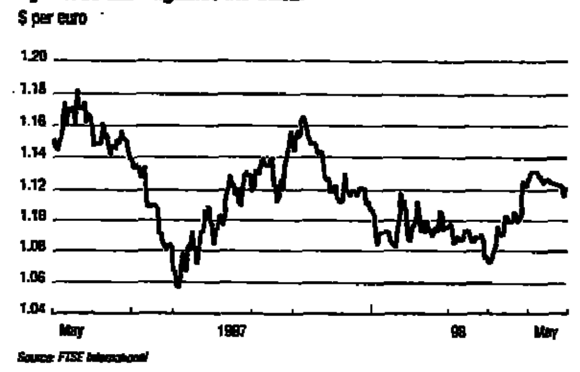
Notes: Price data and market capitalisations supplied by FTSE International. [illegible]

CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

May 18	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.067730	+0.0028	+0.02	+0.0005	+0.00
Belgium	BEF	41.225160	-0.0408	-0.10	-0.0137	-0.03
Czech Republic	CZK	36.547307	+0.1128	+0.31	-0.0388	-0.11
Denmark	DKK	7.614298	+0.0018	+0.02	-0.0007	-0.01
Finland	FIM	6.075888	+0.0011	+0.02	+0.0021	+0.04
France	FRF	6.702926	-0.0025	-0.04	-0.0005	-0.01
Germany	DEM	1.999193	+0.0005	+0.02	+0.0001	+0.01
Greece	GRD	345.329698	-0.4148	-0.12	-1.9623	-0.57
Hungary	HUF	237.040751	+0.6441	+0.27	+0.7421	+0.31
Ireland	IEP	0.793740	-0.0002	-0.02	+0.0006	+0.08
Italy	ITL	1970.905036	-0.0633	+0.00	-0.7583	-0.04
Luxembourg	LUF	41.225160	-0.0408	-0.10	-0.0137	-0.03
Netherlands	NLG	2.252831	+0.0006	+0.03	+0.0002	+0.01
Norway	NOK	8.409942	+0.0009	+0.01	+0.0467	+0.56
Poland	PLN	3.870110	+0.0222	+0.58	+0.0571	+1.50
Portugal	PTE	204.815040	-0.0624	-0.03	+0.3214	+0.16
Romania	ROL	9525.434171	+27.2291	+0.29	-35.2112	-0.37
Russia	RUB	6.898057	-0.0093	-0.14	-0.0259	-0.37
Slovakia	SKK	38.376213	+0.0617	+0.16	-0.0759	-0.20
Spain	ESP	169.844569	+0.0610	+0.04	+0.0734	+0.04
Sweden	SEK	8.706152	-0.0078	-0.09	+0.1360	+1.59
Switzerland	CHF	1.660871	-0.0024	-0.14	-0.0074	-0.44
United Kingdom	GBP	0.689863	+0.0006	+0.09	+0.0004	+0.06
ECU	ECU	1.014441	-0.0000	+0.00	-0.0009	-0.09
Americas						
Brazil	BRL	1.288676	+0.0052	+0.41	-0.0040	-0.31
Canada	CAD	1.624225	+0.0012	+0.07	+0.0111	+0.69
Mexico	MXN	9.624021	+0.1018	+1.07	+0.0589	+0.62
United States	USD	1.120310	+0.0032	+0.29	-0.0061	-0.54
Pacific/Middle East/Africa						
Australia	AUD	1.795857	-0.0026	-0.14	+0.0187	+1.05
Hong Kong	HKD	8.681841	+0.0250	+0.29	-0.0475	-0.54
Japan	JPY	152.462962	+0.4135	+0.27	+1.7061	+1.13
Singapore	SGD	1.852208	+0.0053	+0.29	+0.0020	+0.11
South Africa	ZAR	5.710779	+0.0141	+0.25	-0.0042	-0.07

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends.



Source: FTSE International

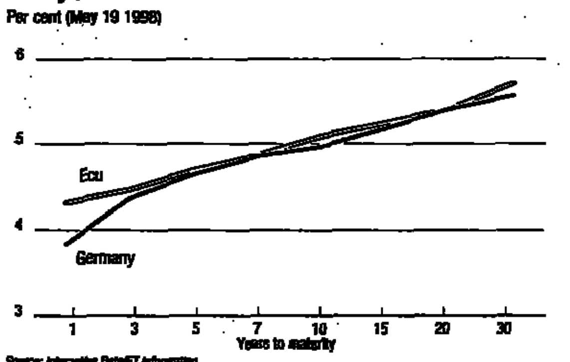
EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

May 19	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0367	+0.02	+0.02	7.0383	3.83	+0.04
Belgium	20.6255	20.6209	-0.02	+0.02	20.6245	3.82	+0.03
France	3.35386	3.3528	-0.03	-0.02	3.3521	3.76	-0.03
Finland	3.04001	3.0392	-0.03	-0.06	3.0413	3.9	+0.11
Ireland	0.402675	0.397	-1.41	-1.48	0.4016	5.69	+1.90
Italy	990.002	985.8504	-0.42	-0.38	991.4126	4.71	+0.92
Luxembourg	20.6255	20.6209	-0.02	+0.02	20.6245	3.82	+0.03
Netherlands	1.12674	1.1269	+0.01	+0.01	1.1268	3.78	-0.01
Portugal	102.505	102.4489	-0.05	-0.21	102.7046	4.2	+0.41
Spain	85.0722	84.9566	-0.14	-0.17	85.2012	4.25	+0.47
Germany	1		+0.00	+0.00		3.79	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

May 19	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible issues								
Belgium (Kingdom of)	03/08	5.750	N/A	104.730	5.12	-0.02	+0.14	+0.03
France (Rep of)	04/08	5.250	N/A	101.590	5.04	-0.01	+0.13	-0.05
Italy (Rep of)	05/08	5.000	AA	98.830	5.15	-0.02	+0.07	+0.06
Portugal (Rep of)	06/08	5.375	AA-	101.820	5.14	-0.04	+0.11	+0.05
Euro issues								
Abbey Natl Treas Srv	02/03	4.875	AA	100.110	4.84	+0.00	+0.28	+0.14
Gen Electric Cap Crp	10/04	5.500	AAA	102.800	4.97	-0.01	+0.17	+0.14
Oest Kontrollbank	04/08	5.250	AAA	100.590	5.17	-0.02	+0.10	+0.08
Cred Local de France	04/08	5.250	AA+	99.300	5.34	-0.02	+0.12	+0.25
Ecu issues								
Bayer Hypo & Wch Bk	07/01	5.000	A+	100.990	4.65	-0.01	+0.18	+0.18
Cred Foncier France	03/04	8.375	A	114.540	5.39	-0.02	+0.08	+0.56
Euro Inv Bank	04/04	5.250	AAA	102.510	4.75	-0.01	+0.09	-0.08
ABN Amro Hldg. NV	04/07	6.375	AA-	106.710	5.41	-0.02	+0.08	+0.36

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

GOVERNMENT BOND SPREADS vs ECU

May 19	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	-0.12	-0.02	+0.06	+0.00	-0.02	-0.05
Belgium	-0.11	+0.00	+0.06	+0.04	+0.05	-0.04
Finland	-0.15	+0.04	+0.06	+0.02	-0.29	-0.60
France	-0.19	-0.06	-0.06	-0.05	-0.01	-0.13
Germany	-0.22	-0.05	-0.01	-0.12	+0.00	-0.15
Ireland	+0.58	+0.20	+0.16	+0.13	+0.14	+0.14
Italy	+0.21	+0.20	+0.17	+0.17	+0.23	+0.06
Luxembourg	-0.11	+0.00	+0.06	+0.04	+0.05	-0.04
Netherlands	-0.16	-0.03	-0.04	-0.07	+0.01	-0.14
Portugal	-0.01	+0.05	+0.10	+0.08	+0.37	+0.31
Spain	-0.05	+0.04	+0.10	+0.08	+0.22	+0.25
"OUTs"						
Denmark	+0.37	+0.30	+0.26	+0.19	+0.13	+0.13
Greece	+5.92	+4.32	+3.42	+2.80	+2.49	+2.18
Sweden	+0.40	+0.27	+0.22	+0.15	+0.13	-0.18
UK	+2.18	+1.38	+1.17	+0.80	+0.51	+0.07

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

May 19	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	-0.01	+0.01	+0.08
France Telcom	AA+	11/06	6.250	FRF	+0.15	+0.19	+0.29
Halifax	AA	07/07	5.625	DEM	+0.19	+0.19	+0.29
Ing Bank NV	AA-	01/08	5.500	NLG	+0.17	+0.17	+0.27
Bayer Hypo W Bk	A+	02/02	8.750	ITL	+0.25	+0.32	+0.81
Cred Foncier	A	02/03	7.250	DEM	+0.35	+0.36	+0.89
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.31	+0.31	+0.51
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.28	+0.25	+0.57
Bank of China	BBB	07/99	7.125	DEM	+0.77	+0.68	+0.47
Natl Bk of Hungary	BBB-	06/01	9.000	ATS	+0.64	+0.69	+1.42
Korea Dev Bank	B+	11/02	5.625	FRF	+4.40	+4.34	+4.71

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

Gilts take centre stage as Fed holds rates

GOVERNMENT BONDS

By Jeremy Grant in London and Richard Waters in New York

UK gilts stole the show in European bond markets yesterday, see-sawing in reaction to UK inflation figures as other markets held their fire pending a decision from the Federal Reserve on US interest rates.

Investors were seen holding back until this morning before taking positions, although the consensus – rightly, as it proved – was for no change in US rates. Analysts said markets were looking further ahead to the release tomorrow of the Federal open market committee's March minutes for indications of any shift in underlying sentiment.

Markets ended higher across the board but were locked in tight ranges, having apparently shrugged off the latest political developments in Indonesia.

US TREASURY bond prices remained largely unchanged in quiet trading yesterday morning in New York, as traders marked time ahead of the Fed committee meeting.

The benchmark 30-year bond was $\frac{1}{32}$ higher, at $102\frac{22}{32}$, in early afternoon trading in New York, putting the yield at 5.924 per cent. Two-year notes were unchanged at $100\frac{1}{32}$, leaving the yield at 5.589 per cent.

Bond prices held on to their gains of the day before, which followed the rising dollar. The long bond yield remains about 10 basis points below its level of late last month, reflecting receding fears that a US rate rise might be imminent and a partial return of its status as a safe haven.

UK GILTS initially took fright at higher than expected retail price index data, falling sharply after it appeared these spelled a resurgence of inflation and concern over a possible interest rate rise.

The statistics office said headline inflation hit a six-year high of 4 per cent, up from 3.5 per cent in March.

In addition, the April retail price index came in above forecasts at 3 per cent, against a forecast of between 2.8 per cent and 2.9 per cent.

That, coupled with last week's average earnings data which showed a bigger rise than had been expected, helped stoke fears that the Bank of England's year-end inflation target of 2.5 per cent may be unrealistic.

The short end of the yield curve saw some flattening as short-dated bonds were hit, with economists predicting more of the same if tomorrow's retail sales figures are perceived as strong.

However, gilts recovered after concluding the headline figure was boosted by Budget items and that there were still no convincing reasons to alter current views on interest rates.

"For once I think the markets are listening to the economists rather than the headlines. It's clear the acceleration in the headline index is a one-off," said Julian Jessop, European economist at Nikko.

Nevertheless, there are still lingering fears that the headline figure may encourage wage deals that are inflationary. Yesterday, retailer Marks & Spencer fuelled such concerns by announcing a a 5.25 per cent staff pay rise.

"It (today's official data) doesn't change our view that interest rates are more likely to remain at 7.25 per cent for the rest of the year than to rise, but the risks are still on the upside," said Steven Andrew, gilt strategist at Merrill Lynch.

"The problem is that the higher number may feed through to inflationary pressures at a later stage. The ball we should be watching is the labour market."

The June gilt future settled 11 basis points higher at 107.78 with 76,000 contracts traded.

Figures showing that the government had been able to repay £3.4bn in debt – largely thanks to robust tax revenues – was seen pushing gilt prices higher, as it would reduce the need for further auctions and point to the prospect of scarce supply.

The spread over German bunds narrowed to 104 from the previous day's 105 basis points.

BUNDS ended higher, hardly reacting to comments by Ernest Welteke, a Bundesbank council member, warning a small interest rate rise could not be ruled out, though it was too early to speculate when to make any adjustment.

The IFO business climate data were slightly weaker than expected but analysts said the market had already priced this into their expectations, as weak production data had told a similar story last week.

The June bund future settled 13 basis points higher at 106.95 after nudging technical resistance at 106.98.

EIB presents $2bn deal as benchmark

INTERNATIONAL BONDS

By Vincent Boland and Edward Luce

In quiet activity ahead of the Federal Reserve meeting, the market was dominated by the European Investment Bank's $2bn three-year issue, which was presented as a new benchmark at that part of the yield curve in the absence of further US Treasury offerings.

Bankers at Goldman Sachs, joint lead with Salomon Smith Barney, said that had left a gap in the three-year sector for a new benchmark issue, and there was nothing of comparable size in the sector in the eurobond market.

The EIB bond, priced to yield 15 basis points over the three-year Treasury, was trading flat to reoffer last night.

It was targeted at Asian buyers but also saw demand from European investors. "We felt there was strong demand for something in this part of the curve from Asian central banks. There was a very sizeable book of orders from there," one banker said.

Elsewhere, US investors were apparently much taken by the high-yield $350m bond issued by Ocean Rig, a Norwegian oil company.

The 144(a) offering – which enables non-US borrowers to tap the US market at minimal cost – was secured against the mortgage on the purchase of two oil rigs by the borrower. The rigs will be delivered next year.

The 10-year bond was split into a $225m fixed rate and $135m floating rate tranche. About 75 per cent of the fixed rate tranche, rated B3/B-minus, went to the US. "Obviously the US high-yield market is much deeper and more sophisticated but Europe is slowly getting there," said CSFB, sole lead.

First National Building Society issued Ireland's second mortgage securitisation yesterday in a two-tranche I£200m offering. The bond – the first Irish residential mortgage securitisation to include automatic redenomination into the euro – was distributed mostly to non-Irish investors in Europe.

Although the Irish property market is considered to be dangerously close to overheating, an official at SBC Warburg Dillon Read said most of the mortgages were taken out about two years ago.

The portfolio has an average loan to property value ratio of 67 per cent.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
European Investment Bank	2bn	5.75	99.798R	Jun 2001	0.15R	+16(5%May01)	Goldman/Salomon SB
Commerzbank‡	500	(a.l)	100.04R	Jun 2002	0.15R	-	Commerzbank
Ocean Rig Norway(g1)	225	10.25(l)#	100.00R	Jun 2008	2.50R	+460(May08)	CSFB
Ocean Rig Norway(g2)‡	125	(g3)	100.00	May 2008	2.50	-	CSFB
D-MARKS							
CCCIF(b)	250	5.25	99.025R	Apr 2008	0.325R	+39(5¼Jan08)	Deutsche Bank
STERLING							
Abbey Natl Trsy Services(c)	100	6.00	99.526R	Aug 1999	0.10R	+44(6Aug99)	HSBC Markets
FRENCH FRANCS							
Cades(f)	2.5bn	5.25(l)	99.111R	Oct 2012	0.175R	+14(l)	Banque National de Paris
John Hancock Global Fndg	1.25bn	5.375	99.40R	Jun 2009	0.375R	+37(l)	Paribas
GUILDERS							
VNU	600	5.50	99.624R	Jun 2008	0.425R	+32(l)	ING Barings
EUROS(e)							
Bancaja Ind Finance‡	130	(d)	99.821R	Jun 2005	0.175R	-	Barclays Capital
GREEK DRACHMAS							
Council of Europe	15bn	7.625	99.585R	Jun 2002	0.225R	-	RBC DS Global Markets
IRISH POUNDS							
CRIS No 1, Class A(h)‡	190	(h1,s)	99.91R	Apr 2030	0.19R	-	SBCWDR/UBS

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Fungible with DM400m. Plus 71 days accrued. c) Fungible with £1bn. Plus 288 days accrued. d) 3-mth Libor +6bp. e) Payments in Ecu prior to Emu. f) Fungible with FFr4bn. Plus 63 days accrued. g1) Callable from 1/6/03 at 105⅛% falling to par. g2) Callable anytime in 1st yr at 103% falling to par from May 01. g3) 3-mth Libor +475bp. h) Celtic Residential Irish Securitisation. Callable from Apr 06 at par. Av life 5.2 yrs. h1) 3-mth Dibor +20bp to Apr 06, then +50bp. h2) Class B: I£10m, 3-mth Dibor +62½bp to call, av life 7½ yrs, par. l) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

NEWS DIGEST

SECURITIES

US Treasury plans to issue index-linked savings bonds

The US Treasury will begin issuing index-linked savings bonds later this year and plans to introduce a regular auction schedule in inflation-linked securities, a senior Treasury official said yesterday.

Roger Anderson, deputy assistant Treasury secretary for federal finance, told a Bond Market Association seminar in New York that development of a liquid market in index-linked bonds would take time but was improving.

The move follows the Treasury's overhaul earlier this month of its regular bond auction process, which included cancelling three-year note auctions and holding auctions of five-year paper quarterly rather than monthly. The moves were in response to a likely federal budget surplus next year for the first time in nearly 30 years, and forecasts of surpluses in the coming years. **Vincent Boland**

FUTURES AND OPTIONS

CME begins Ecu trading

Trading in Ecu futures and options began yesterday on the Chicago Mercantile Exchange, the second largest US futures exchange, paving the way for eventual trading of futures in the new euro currency.

The Ecu contracts are designed to convert to the euro currency once European monetary union begins on January 1 1999. Conversion will be on a one-to-one basis, and the first contract expiry for the Ecu/euro contracts is set for March 1999. After that, contract expirations will occur quarterly.

The new contracts are currently sized at Ecu125,000 (and subsequently, euros), which equates to about $138,500. Trading in the new contracts was said to have started quietly yesterday.

The CME will continue to list its dollar/D-Mark, dollar/French franc contract and D-Mark cross-rate products, while these individual currencies continue to exist.
Nikki Tait, Chicago

FUTURES

Pfandbrief contract from Eurex

Eurex, the product of a recent merger between the Deutsche Terminbörse and Soffex, the German and Swiss derivatives exchanges, will launch a future on Germany's Pfandbriefe on July 6.

The five-year contract – the first derivative to be based on non-government German bonds – will be based on a basket of different Pfandbrief bonds.

Pfandbriefe are mortgage-based bonds issued by private-sector mortgage banks and public sector institutions. They form the largest non-government asset class of bonds in Europe. **Edward Luce**

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

May 19	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.5920	4.98	-0.06	-0.01	+0.08	-1.28
	10/07	10.000	131.4611	5.60	-0.07	-0.08	+0.02	-2.04
Austria	09/99	7.000	103.5500	4.17	+0.02	+0.01	+0.02	+0.31
	07/07	5.625	104.0800	5.05	-0.04	-0.06	+0.12	-0.62
Belgium	01/00	4.000	99.8000	4.18	-0.02	-0.03	-	+0.57
	03/07	6.250	108.2400	5.07	-0.01	-0.05	+0.13	-0.71
Canada	09/99	4.750	99.4900	5.20	-0.03	+0.04	+0.27	+0.51
	06/07	7.250	113.0000	5.39	-0.04	-0.02	+0.13	-1.12
Denmark	12/99	6.000	101.8800	4.69	-0.04	-0.07	+0.32	+0.76
	11/07	7.000	112.6000	5.27	-0.01	-0.06	+0.28	-1.01
Finland	01/99	11.000	104.4003	3.58	+0.01	-	+0.11	+0.16
	04/06	7.250	114.3730	5.00	-0.02	-0.04	+0.14	-1.11
France	01/00	4.000	99.8032	4.12	-	-0.03	-0.01	+0.53
	10/04	6.750	110.7400	4.76	-0.02	-0.04	+0.09	-0.35
	10/07	5.500	103.5400	5.02	-	-0.04	+0.14	-0.57
	10/25	6.000	106.1100	6.56	-0.01	-0.05	+0.17	-0.94
Germany	09/99	4.000	100.0300	3.96	-0.01	-0.04	-0.06	+0.45
	11/04	7.500	114.6400	4.81	-0.02	-0.04	+0.11	-0.40
	07/07	6.000	107.1980	5.00	-0.01	-0.06	+0.14	-0.68
	07/27	6.500	113.5500	5.55	-0.02	-0.05	+0.16	-0.91
Ireland	04/99	8.250	100.9200	5.09	-0.03	+0.06	+0.11	-0.86
	08/06	8.000	118.3200	5.20	-0.01	-0.02	+0.17	-1.41
Italy	05/00	6.000	102.6900	4.56	+0.01	-0.01	+0.06	-1.80
	05/02	6.250	105.2680	4.78	-0.01	-0.02	+0.07	-1.84
	07/07	6.750	111.3500	5.17	-0.02	-0.03	+0.14	-1.89
	11/26	7.250	121.9400	5.68	-0.02	-0.03	+0.17	-2.07
Japan	03/00	6.400	110.8700	0.39	-	-	-0.18	-0.60
	12/02	4.800	117.4600	0.89	-	-0.01	-0.24	-1.03
	09/05	3.000	111.5200	1.34	+0.01	-0.02	-0.24	-1.12
	09/17	3.000	112.8400	2.18	-	-0.06	-0.25	-1.07
Netherlands	11/99	7.500	104.7200	4.12	-0.01	-	-0.01	+0.39
	02/07	5.750	105.4500	4.96	-0.02	-0.06	+0.12	-0.71
New Zealand	02/00	6.500	98.3838	7.50	-0.01	-0.17	-0.13	+0.09
	11/06	8.000	108.3750	6.86	-0.06	-0.18	-0.05	-0.95
Norway	01/99	9.000	102.8400	4.66	+0.04	+0.12	+0.30	+0.73
	01/07	6.750	108.5800	5.47	-0.03	-	+0.25	-0.61
Portugal	03/99	8.500	103.3700	4.27	+0.01	+0.05	+0.07	-1.07
	02/07	6.625	110.2100	5.14	-0.01	-0.03	+0.16	-1.22
Spain	07/99	7.400	103.5400	4.25	+0.03	-0.01	+0.03	-0.94
	03/07	7.350	115.4800	5.13	-0.02	-0.04	+0.15	-1.43
Sweden	01/99	11.000	103.8800	4.63	+0.07	-0.09	-	-0.16
	08/07	8.000	120.0730	5.20	-0.03	-0.08	+0.09	-1.75
Switzerland	03/00	5.000	105.4706	1.56	-0.01	-0.05	+0.01	+0.11
	06/07	4.500	111.3700	3.04	-0.01	-0.09	+0.04	-0.50
UK	09/99	6.000	99.1406	6.73	-0.01	+0.06	+0.07	+0.01
	11/04	6.750	103.7500	6.04	-0.01	+0.08	+0.15	-1.00
	12/07	7.250	109.4766	5.94	-0.01	+0.04	+0.17	-1.15
	06/21	8.000	126.5547	5.88	-0.01	+0.04	+0.19	-1.26
US	10/99	5.625	100.0190	5.61	+0.03	+0.01	+0.05	-0.55
	11/04	7.875	111.5390	5.72	+0.01	-0.02	+0.06	-0.84
	08/07	6.125	102.6580	5.75	+0.01	-0.01	+0.09	-0.96
	08/27	6.375	105.6800	5.96	-	-0.04	+0.06	-0.96
ECU	01/00	4.000	99.5800	4.25	-0.01	-0.01	+0.08	-
	04/07	5.500	103.2900	5.03	-0.02	-0.06	+0.11	-1.02

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

May 19	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.60	+0.63	-0.05	New Zealand	6.86	+1.69	+1.81
Austria	5.09	+0.12	-0.58	Norway	5.52	+0.55	-0.13
Belgium	5.13	+0.16	-0.52	Portugal	5.17	+0.20	-0.48
Canada	5.39	+0.42	-0.26	Spain	5.17	+0.20	-0.48
Denmark	5.28	+0.31	-0.37	Sweden	5.24	+0.27	-0.41
Finland	5.11	+0.14	-0.54	Switzerland	3.04	-1.93	-2.61
France	5.04	+0.07	-0.61	UK	5.94	+0.97	+0.29
Germany	4.97	-	-0.68	US	5.65	+0.68	-
Ireland	5.22	+0.25	-0.43	ECU	5.09	+0.12	-0.56
Italy	5.26	+0.29	-0.39				
Japan	1.34	-3.63	-4.31				
Netherlands	5.05	+0.08	-0.60				

Source: Interactive Data/FT Information. London closing. *New York closing.

EMERGING MARKET BONDS

May 19	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Sprd v Govts
[illegible]								

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	103.22	103.24	+0.08	103.25	103.20	61,521	95,614
Sep	102.61	102.76	-	102.61	102.56	1,689	9,778

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jun	CALLS Jul	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Sep
102	1.11	0.92	1.26	0.07	0.37	0.70
103	0.35	0.38	0.72	0.31	0.82	1.16
104	0.03	0.10	0.36	0.99	1.54	1.78
105	0.01	0.03	0.14	1.97	2.46	2.55

Est. vol. total, Calls 10,950 Puts 5,526. Previous day's open int., Calls 82,929 Puts 58,730.

Germany

NOTIONAL GERMAN BOND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106.88	106.95	+0.13	106.98	106.83	34138	138821
Sep	106.43	106.55	+0.13	106.56	106.43	505	4533

BOND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
10650	0.48	0.52	0.74	0.88	0.84	0.47	0.69	0.83
10700	0.13	0.29	0.49	0.65	0.18	0.74	0.94	1.10
10750	0.01	0.14	0.32	0.46	0.56	1.09	1.27	1.41

Est. vol. total, Calls 14823 Puts 10951. Previous day's open int., Calls 217853 Puts 243970

NOTIONAL GERMAN BOND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	104.86	104.89	+0.05	104.91	104.81	110,343	247,088
Sep	104.63	104.63	-0.02	104.63	104.63	573	14,836

NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS		PUTS	
[illegible]				

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
[illegible]							

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS		PUTS	
[illegible]				

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
[illegible]							

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
[illegible]							

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	102.52	103.00	+0.10	-	-	1	4,992
Sep	-	101.80	-0.86	-	-	-	8,178

US CORPORATE BONDS

May 19	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Sprd v Govts
[illegible]								

NY closing. Standard & Poor's ratings. Yields: Local market standard. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields	
[illegible]			

INTERNATIONAL BONDS

May 19	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
[illegible]								
EIB	02/07	5.750	AAA	105.0300	5.02	-0.02	+0.13	+0.02
Spain	01/07	5.750	AA	104.4200	5.10	-0.01	+0.14	+0.10
Philip Morris	03/04	5.375	A	100.9856	5.17	-0.01	+0.14	+0.40
Finland FRN	09/02	3.570	AA	108.8026	4.07	-	+0.04	-0.46
[illegible]								
Austria	01/04	5.500	AAA	103.4900	4.78	-	+0.08	+0.06
Abbey Nat	02/04	6.000	AA	105.5600	4.88	-0.01	+0.04	+0.14
Cred Foncier	02/04	9.125	A	119.8471	5.05	-0.01	+0.06	+0.33
3CIF FRN	12/01	3.625	AA-	99.8056	4.26	-0.01	+0.05	-0.14
[illegible]								
EIB	02/07	7.000	AAA	112.5000	5.18	-0.01	+0.13	-0.01
Abbey Nat	02/02	6.900	AA	106.4700	4.88	-0.01	+0.07	+0.06
Walt Disney	08/00	8.625	A	107.3500	4.82	-0.03	-0.03	+0.22
EIB FRN	03/01	5.358	AAA	100.0670	4.44	-0.01	+0.07	-0.25
[illegible]								
EIB	12/07	7.625	AAA	109.7469	6.23	-0.03	+0.14	+0.27
Dresdner Bk	12/07	7.750	AA-	106.8803	6.74	-0.01	+0.16	+0.78
British Gas	03/00	7.625	A+	100.9367	7.05	-	+0.08	+0.48
Abbey Nat FRN	02/02	7.713	AA	100.0916	6.22	+0.01	+0.13	-0.03
[illegible]								
EIB	04/07	7.250	AAA	108.1200	6.04	-	+0.08	+0.40
ABN Amro	06/07	7.125	AA-	104.9246	6.40	-0.01	+0.05	+0.76
Quebec	01/07	7.000	A+	104.2093	6.36	-0.01	+0.06	+0.72
Citicorp FRN	02/04	5.734	A+	100.0869	5.70	-0.01	-0.20	+0.09
[illegible]								
Bayer L-Bk	06/04	9.500	AAA	118.2877	5.72	-0.02	+0.10	+0.16
Toronto	05/04	8.500	AA+	113.9183	5.70	-0.02	+0.15	+0.14
Bell Canada	07/09	10.625	A+	105.3323	5.66	-0.02	+0.14	+0.96
Deutsche B FRN	08/02	5.875	AAA	101.1908	5.56	-0.02	+0.12	+0.08
[illegible]								
World Bank	03/02	5.250	AAA	116.9522	0.75	-	-0.24	+0.14
Spain	03/02	5.750	AA	118.7504	0.77	-	-0.23	+0.16
Cred Foncier	06/02	4.750	A	114.1418	1.28	-	-0.20	+0.67
Italy FRN	07/99	0.711	AA	100.3396	0.06	-0.02	-0.15	-0.11

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	May 19	Day's change %	May 18	Accrued interest	xd adj. ytd
[illegible]					

UK Indices

	Low coupon yield May 19	May 18	Yr. ago	Medium coupon yield May 19	May 18	Yr. ago	High coupon yield May 19	May 18	Yr. ago
[illegible]									

FT Fixed Interest Indices

	May 19	May 18	May 15	May 14	May 13	Yr ago	High*	Low*
[illegible]								

UK GILTS PRICES

Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
[illegible]						

Other Fixed Interest

Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
[illegible]						

Dollar firm as Fed makes no change

MARKETS REPORT

By Daniel Dombey and Simon Kuper

The dollar held firm in late US trading after the Federal Reserve said it was leaving interest rates unchanged. Most in the market had expected no move from the Fed's open market committee meeting. However, for the first time in months there had seemed to be a significant chance of a rate rise.

In dull trading before the Fed's decision the dollar had dropped 0.55 pfgs against the D-Mark to DM1.7825 and risen another Y0.3 against the yen to Y136.4. It held those levels after the announcement. The Federal funds rate, which stands at 5.50 per cent, has not changed since March 1997.

The market had been divided over whether a rate rise would help the dollar. The US stock market has risen so far in recent months that many investors think a Fed move would bring it tumbling down – which could hurt the dollar. A rate rise could also shake Asian currencies.

■ Lingering effects of the Asian crisis brought about the two most dramatic interventions of the day, in Moscow and Jakarta.

Russia's central bank pushed up its refinancing rate by 20 percentage points to 50 per cent, a step which brought the rouble within its official trading range after it had pushed against the limits on Monday. The bank narrowed its quotation rates from 6.1350/6.1750 from 6.1130/6.1800 the day before.

The currency has suffered from bouts of weakness throughout the year so far. This has largely been impelled by fears about emerging markets set off by the weakness in east Asia but also by concerns about Russia's economy and budget deficit.

Although not the headline interest rate, the refinancing rate serves as a cap on treasury bill yields and so exercises considerable influence over Russia's regulated currency market.

Sergei Dubinin, the central bank head, disclosed that the bank had spent about $500m in defending the currency over the last week, bringing reserves down to $15.5bn.

"Reserves are low, and $2bn-3bn dollars are tied up in gold, but these yield levels are sufficient to stop investors from getting out the market," said Tony Norfield, currency strategist and treasury economist at ABN AMRO in London.

The Polish zloty also briefly suffered from the attention Russia has been getting. But the currency edged up on the day at 3.4545 to the dollar, after touching 3.4700.

■ President Suharto's announcement of his impending resignation was even more momentous. But the markets were unsure how to interpret the Indonesian leader's statement. The rupiah, which fell as low as 16,000 to the dollar in early trade, stabilised at about 12,600, up 2 per cent on the day.

While promising new elections and saying that he would not stand again, Mr Suharto mentioned no date for his departure. Further demonstrations against his government are expected this week, after days of protests and rioting that have brought the country into chaos.

The rupiah's limited recovery stemmed from increased hopes that any transition of power in the country would be peaceful. But Marc Chandler, senior currency strategist at Deutsche Morgan Grenfell in New York, argued that the problems of South Korea's government, headed by veteran opposition leader Kim Dae Jung, showed that even a more democratic administration in Jakarta might be unstable.

■ Mr Suharto's statement helped the yen hold still yesterday, but analysts warned the currency might enjoy only a brief respite from the weakness that on Monday took it to a seven-year low. The yen ended the day at Y136.1 to the dollar, largely unchanged. The Bank of Japan declined to cut rates below their rock-bottom levels of 0.5 per cent.

■ The pound strengthened marginally to the dollar, to $1.625, after inflation, as measured by the UK's Retail Price Index, hit 4 per cent for the first time in almost six years in April.

POUND IN NEW YORK

May 19	Latest	Prev. close
£ spot	1.6240	1.6215
1 mth	1.6215	1.6189
3 mth	1.6169	1.6145
1 yr	1.5996	1.5978

OTHER CURRENCIES

May 19	£	$
Czech Rp	52.9554 - 53.0919	32.6080 - 32.6370
Hungary	343.573 - 343.845	211.560 - 211.610
Iran	4874.70 - 4872.00	3000.00 - 3000.00
Kuwait	0.4971 - 0.4977	0.3061 - 0.3063
Peru	4.6170 - 4.6212	2.8430 - 2.8440
Poland	5.6060 - 5.6173	3.4520 - 3.4570
Russia	9.9925 - 10.0061	6.1530 - 6.1580
U.A.E.	5.9648 - 5.9684	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

May 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.3983	-0.0146	869 - 096	20.4532	20.3538	20.3311	4.0	20.203	3.8	19.7268	3.3	103.1
Belgium	(BFr)	59.7766	-0.1142	194 - 337	59.9430	59.7140	59.5799	3.9	59.2127	3.8	57.8045	3.3	102.6
Denmark	(DKr)	11.0408	-0.0076	361 - 454	11.0673	11.0207	11.0139	2.9	10.9625	2.8	10.7529	2.6	105.0
Finland	(FM)	8.8100	-0.0067	035 - 165	8.8320	8.7920	8.7808	4.0	8.7283	3.7	8.5249	3.2	80.9
France	(FFr)	9.7193	-0.0126	135 - 250	9.7469	9.7057	9.6866	4.0	9.6245	3.9	9.3934	3.4	106.0
Germany	(DM)	2.8988	-0.002	972 - 003	2.9079	2.8927	2.8891	4.0	2.8708	3.9	2.8025	3.3	104.1
Greece	(Dr)	500.729	-1.083	468 - 989	503.523	500.038	502.935	-5.3	506.862	-4.9	519.261	-3.7	80.0
Ireland	(I£)	1.1509	-0.0013	493 - 525	1.1534	1.1490	1.15	1.0	1.1475	1.2	1.1269	2.1	94.8
Italy	(L)	2857.81	-2.73	580 - 982	2866.08	2853.41	2853.12	2.0	2841.49	2.3	2779.53	2.7	78.8
Luxembourg	(LFr)	59.7766	-0.1142	194 - 337	59.9430	59.7140	59.5799	3.9	59.2127	3.8	57.8045	3.3	102.6
Netherlands	(Fl)	3.2666	-0.0021	651 - 680	3.2754	3.2587	3.2555	4.1	3.235	3.9	3.1578	3.3	102.0
Norway	(NKr)	12.1944	-0.0089	906 - 981	12.2274	12.1709	12.1612	3.3	12.1033	3.0	11.89	2.5	96.2
Portugal	(Es)	296.982	-0.365	819 - 146	297.720	296.573	296.222	3.1	294.699	3.1	287.83	3.1	91.9
Spain	(Pta)	246.275	-0.138	166 - 384	246.900	245.550	245.638	3.1	244.37	3.1	238.816	3.0	77.9
Sweden	(SKr)	12.6239	-0.0231	147 - 331	12.6567	12.6000	12.5928	3.0	12.5342	2.8	12.3015	2.6	86.6
Switzerland	(SFr)	2.4084	-0.0058	068 - 099	2.4165	2.4024	2.3985	5.9	2.373	5.9	2.2816	5.3	106.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.1
Ecu	-	1.4710	-0.0014	701 - 718	1.4748	1.4685	1.4671	3.2	1.4593	3.2	1.4265	3.0	-
SDR†	-	1.212658	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6242	+0.0032	237 - 247	1.6297	1.6218	-	-	-	-	-	-	-
Brazil	(R$)	1.8657	+0.0059	650 - 664	1.8729	1.8641	-	-	-	-	-	-	-
Canada	(C$)	2.3551	-0.0004	540 - 561	2.3598	2.3492	2.35	2.6	2.341	2.4	2.3079	2.0	81.6
Mexico	(New Peso)	13.9548	+0.1348	485 - 611	14.0506	13.9093	14.1059	-13.0	14.3833	-12.6	15.7348	-12.8	-
USA	($)	1.6245	+0.0032	240 - 249	1.6300	1.6221	1.622	1.9	1.6174	1.8	1.6002	1.5	111.1
Pacific/Middle East/Africa													
Australia	(A$)	2.6039	-0.0063	021 - 057	2.6107	2.5909	2.5985	2.5	2.5878	2.5	2.5438	2.3	83.3
Hong Kong	(HK$)	12.5887	+0.0248	844 - 930	12.6304	12.5705	12.5846	0.4	12.5949	-0.2	12.8589	-2.1	-
India	(Rs)	65.8065	+0.1033	720 - 409	65.9910	65.7360	-	-	-	-	-	-	-
Israel	(Shk)	5.9401	+0.0044	321 - 481	5.9487	5.9311	-	-	-	-	-	-	-
Japan	(Y)	221.072	+0.397	929 - 214	221.610	220.220	219.727	7.3	217.202	7.0	206.372	6.6	113.7
Malaysia	(M$)	6.2708	+0.049	613 - 802	6.2945	6.1606	6.3665	-18.3	6.4698	-12.7	6.8974	-10.0	-
New Zealand	(NZ$)	3.0619	+0.0163	590 - 647	3.0665	3.0314	3.0658	-1.5	3.0718	-1.3	3.0929	-1.0	95.5
Philippines	(Peso)	63.7597	-0.4925	796 - 398	64.1541	63.5330	64.2535	-9.3	65.116	-8.5	69.3445	-8.8	-
Saudi Arabia	(SR)	6.0927	+0.0117	908 - 945	6.1132	6.0640	6.085	1.5	6.0725	1.3	6.0275	1.1	-
Singapore	(S$)	2.6857	+0.0052	837 - 876	2.6962	2.6471	2.6945	-3.9	2.7046	-2.8	2.7233	-1.4	-
South Africa	(R)	8.2807	+0.0129	759 - 854	8.3000	8.2727	8.3342	-7.8	8.4188	-6.7	8.738	-5.5	-
South Korea	(Won)	2343.27	+1.3	856 - 798	2374.75	2331.06	-	-	-	-	-	-	-
Taiwan	(T$)	54.9048	+0.1373	344 - 752	55.0970	54.5486	54.9533	-1.1	55.0279	-0.9	55.5817	-1.1	-
Thailand	(Bt)	64.1252	+0.2459	856 - 648	64.4420	63.7090	64.5689	-8.3	65.2591	-7.1	69.2493	-8.0	-

† Rates for May 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.5570	-0.0335	535 - 605	12.5700	12.5330	12.5351	2.1	12.4818	2.1	12.3276	1.8	102.9
Belgium	(BFr)	36.7980	-0.142	730 - 230	36.9070	36.7550	36.734	2.1	36.6115	2.0	36.123	1.8	102.5
Denmark	(DKr)	6.7966	-0.0179	956 - 976	6.8015	6.7840	6.7905	1.1	6.7781	1.1	6.7186	1.1	104.4
Finland	(FM)	5.4234	-0.0146	209 - 259	5.4275	5.4134	5.4138	2.1	5.3967	2.0	5.3274	1.8	80.4
France	(FFr)	5.9831	-0.0194	812 - 850	5.9905	5.9732	5.9723	2.2	5.9508	2.2	5.8701	1.9	105.5
Germany	(DM)	1.7845	-0.0047	840 - 849	1.7861	1.7812	1.7813	2.2	1.7751	2.1	1.7514	1.9	103.7
Greece	(Dr)	308.245	-1.255	170 - 320	310.100	307.970	310.085	-7.2	313.395	-6.7	324.495	-5.3	59.7
Ireland	(I£)	1.4115	+0.0043	098 - 130	1.4150	1.4080	1.4104	0.9	1.4098	0.6	1.4201	-0.6	-
Italy	(L)	1759.25	-5.1	850 - 000	1761.00	1755.71	1759.1	0.1	1758.9	0.5	1736.98	1.3	75.8
Luxembourg	(LFr)	36.7980	-0.142	730 - 230	36.9070	36.7550	36.734	2.1	36.6115	2.0	36.123	1.8	102.5
Netherlands	(Fl)	2.0109	-0.0052	105 - 112	2.0135	2.0046	2.0072	2.2	2.0002	2.1	1.9733	1.9	101.8
Norway	(NKr)	7.5068	-0.0207	065 - 070	7.5236	7.4945	7.498	1.4	7.4836	1.2	7.4303	1.0	95.8
Portugal	(Es)	182.820	-0.58	770 - 870	182.930	182.540	182.636	1.2	182.207	1.3	179.87	1.6	92.5
Spain	(Pta)	151.605	-0.38	580 - 630	151.659	151.110	151.448	1.2	151.095	1.3	149.24	1.6	76.8
Sweden	(SKr)	7.7712	-0.0293	677 - 747	7.7988	7.7551	7.7641	1.1	7.75	1.1	7.6874	1.1	86.5
Switzerland	(SFr)	1.4826	-0.0084	820 - 831	1.4859	1.4795	1.4776	4.0	1.4672	4.1	1.4258	3.8	105.5
UK	(£)	1.6245	+0.0032	240 - 249	1.6300	1.6221	1.622	1.9	1.6174	1.8	1.6002	1.5	103.3
Ecu	-	1.1044	+0.0032	040 - 047	1.1056	1.1035	1.1057	-1.4	1.1084	-1.4	1.1218	-1.6	-
SDR†	-	0.74740	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0001	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1485	+0.0014	484 - 486	1.1492	1.1480	-	-	-	-	-	-	-
Canada	(C$)	1.4498	-0.0031	495 - 500	1.4520	1.4456	1.4488	0.8	1.4474	0.6	1.4423	0.5	81.7
Mexico	(New Peso)	8.5905	+0.0665	880 - 920	8.5960	8.5870	8.697	-14.9	8.8995	-14.4	9.833	-14.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	111.4
Pacific/Middle East/Africa													
Australia	(A$)	1.6029	-0.007	023 - 036	1.6049	1.5944	1.6021	0.6	1.5995	0.8	1.5888	0.9	83.2
Hong Kong	(HK$)	7.7495	+0.0002	490 - 500	7.7520	7.7480	7.759	-1.5	7.7875	-2.0	8.0345	-3.7	-
India	(Rs)	40.5100	-0.015	000 - 200	40.5400	40.4900	-	-	-	-	-	-	-
Israel	(Shk)	3.6567	-0.0044	528 - 606	3.6610	3.6517	-	-	-	-	-	-	-
Japan	(Y)	136.090	-0.02	040 - 140	136.350	135.630	135.47	5.5	134.295	5.3	128.985	5.2	116.6
Malaysia	(M$)	3.8603	+0.0228	555 - 650	3.8800	3.7881	3.9253	-20.2	4.0003	-14.5	4.3103	-11.7	-
New Zealand	(NZ$)	1.8848	+0.0063	836 - 861	1.8870	1.8657	1.8879	-2.0	1.8933	-1.8	1.9121	-1.4	-
Philippines	(Peso)	39.2500	-0.38	500 - 500	39.5500	39.1000	39.6155	-11.2	40.2615	-10.3	43.3345	-10.4	-
Saudi Arabia	(SR)	3.7506	-0.0001	505 - 507	3.7509	3.7503	3.7517	-0.4	3.7546	-0.4	3.7667	-0.4	-
Singapore	(S$)	1.6533	-	525 - 540	1.6595	1.6270	1.6613	-5.8	1.6723	-4.6	1.7018	-2.9	-
South Africa	(R)	5.0975	-0.002	960 - 990	5.0995	5.0960	5.1384	-9.6	5.2054	-8.5	5.4605	-7.1	-
South Korea	(Won)	1442.50	-2	000 - 500	1464.00	1436.00	-	-	-	-	-	-	-
Taiwan	(T$)	33.7980	+0.019	690 - 330	33.9130	33.6000	33.8815	-2.9	34.024	-2.7	34.684	-2.6	-
Thailand	(Bt)	39.4750	+0.875	000 - 500	39.7300	39.2500	39.81	-10.2	40.35	-8.9	43.275	-9.6	-

† SDR rate per $ for May 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 18: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3½	3⅝	3⅝	3⅝	3⅝	6.00	2.75	-
France	3⅝	3⅝	3¾	3⅞	3⅞	4.60	-	3.30
Germany	3¾	3⅝	3⅝	3⅝	3⅞	4.50	2.50	3.30
Ireland	6⅛	6⅛	6⅛	5⅞	5⅞	-	-	6.75
Italy	5⅜	5⅜	5⅛	4¾	4⅝	6.50	5.00	5.63
Netherlands	3⅝	3½	3⅝	3⅝	3⅝	-	2.75	3.30
Switzerland	1⅛	1⅜	1⅛	1⅛	1⅜	-	1.00	-
US	5⅜	5⅝	5¾	5⅝	5⅝	-	5.00	-
Japan	¼	⅜	⅜	⅜	½	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	5⅝	5⅝	5¾	5⅞	-	-	-
US Dollar CDs	-	5.44	5.48	5.52	5.62	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3¾	3⅞	3⅞	3⅞	-	-	-

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅝ - 3½	3⅝ - 3½	3¾ - 3½	3¾ - 3⅝	3⅞ - 3⅝	4 - 3⅞
Danish Krone	4⅛ - 4	4⅛ - 4⅛	4⅜ - 4¼	4⅜ - 4½	4⅝ - 4⅜	4⅝ - 4⅝
German Mark	3⅝ - 3½	3⅝ - 3⅝	3⅝ - 3⅝	3⅝ - 3⅝	3⅝ - 3⅝	3⅞ - 3¾
Dutch Guilder	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3⅝	3⅝ - 3⅝	3⅞ - 3⅞
French Franc	3¾ - 3⅝	3¾ - 3⅝	3⅝ - 3½	3⅞ - 3⅝	3⅞ - 3⅞	3⅞ - 3⅞
Portuguese Esc.	4⅜ - 4⅜	4⅜ - 4⅜	4⅜ - 4⅜	4⅜ - 4⅜	4⅜ - 4⅜	4⅜ - 4⅜
Spanish Peseta	4⅝ - 4⅜	4¾ - 4⅝	4¾ - 4⅝	4⅝ - 4⅜	4⅝ - 4⅜	4⅝ - 4⅜
Sterling	7⅝ - 6⅞	7⅝ - 7⅝	7⅝ - 7⅝	7¾ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝
Swiss Franc	1⅜ - 1⅛	1⅜ - 1⅜	1⅜ - 1⅜	1⅜ - 1½	1⅝ - 1½	1⅞ - 1¾
Canadian Dollar	4⅝ - 4⅝	4⅝ - 4⅝	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 5⅛	5⅜ - 5⅛
US Dollar	5⅛ - 5⅛	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝
Italian Lira	5½ - 5¼	5¾ - 5⅛	5½ - 5⅜	5⅛ - 5	4⅞ - 4⅞	4⅞ - 4⅝
Japanese Yen	½ - ⅜	½ - ⅜	½ - ⅜	⅝ - ⅜	⅝ - ⅜	⅝ - ⅜
Asian $Sing	3½ - 3	6½ - 6½	8 - 7	7¾ - 6¾	7¼ - 6¾	7 - 6

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.355	96.365	+0.15	96.365	96.355	5,878	76,423
Sep	96.170	96.170	+0.05	96.175	96.170	7,753	36,807

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.340	96.345	+0.015	96.345	96.330	48177	376974
Sep	96.185	96.180	+0.020	96.180	96.160	58885	395583
Dec	95.940	95.940	+0.005	95.945	95.925	33303	434650
Mar	95.805	95.800	+0.005	95.805	95.785	16354	389858

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		96.410	+0.010			0	0
Jul		96.365	+0.010			0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.180	95.120	-0.060	95.180	95.100	55555	247852
Sep	95.700	95.670	-0.030	95.700	95.650	48334	261075
Dec	95.890	95.890	-	95.890	95.870	30054	174979
Mar	95.780	95.790	+0.010	95.790	95.770	3585	203603

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.370	98.360	-	98.370	98.330	8661	55584
Sep	98.170	98.180	+0.020	98.190	98.140	8752	51136
Dec	97.920	97.950	+0.020	97.970	97.920	3772	29054
Mar	97.850	97.860	+0.020	97.870	97.820	902	11386

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.40	-0.03			0	n/a
Sep		99.44	-0.03			0	n/a
Dec		99.42	-0.05			0	n/a

* LIFFE futures also traded on APT

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.750	95.745	-0.005	95.750	95.740	370	12303
Sep	95.790	95.790	-	95.800	95.770	717	17512
Dec	95.890	95.905	-	95.890	95.890	10	7203
Mar	95.780	95.795	-	95.780	95.780	8	5187

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
95125	0.085			0.090		
95250	0.040	0.440	0.660	0.170	0.020	0.020
95375	0.020			0.275		

Est. vol. total, Calls 17025 Puts 5757. Previous day's open int., Calls 335183 Puts 295813

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.47	16.26	4.849	1.925	4781	5.465	20.40	496.8	412.0	21.12	4.029	1.673	3.940	2.718	369.8	2.461
Denmark	(DKr)	54.14	10	8.803	2.626	1.042	2588	2.959	11.04	269.0	223.1	11.43	2.181	0.906	2.133	1.471	200.2	1.332
France	(FFr)	61.50	11.36	10	2.983	1.184	2940	3.361	12.55	305.6	253.4	12.99	2.478	1.029	2.423	1.671	227.5	1.513
Germany	(DM)	20.62	3.809	3.353	1	0.397	985.9	1.127	4.207	102.4	84.96	4.355	0.831	0.345	0.812	0.560	76.26	0.507
Ireland	(I£)	51.94	9.593	8.445	2.519	1	2483	2.838	10.60	258.1	214.0	10.97	2.093	0.869	2.046	1.412	192.1	1.278
Italy	(L)	2.092	0.386	0.340	0.101	0.040	100	0.114	0.427	10.39	8.618	0.442	0.084	0.035	0.082	0.057	7.736	0.051
Netherlands	(Fl)	18.30	3.380	2.975	0.887	0.352	874.9	1	3.733	90.91	75.39	3.865	0.737	0.306	0.721	0.497	67.68	0.450
Norway	(NKr)	49.02	9.054	7.970	2.377	0.944	2344	2.679	10	243.5	202.0	10.35	1.975	0.820	1.931	1.332	181.3	1.206
Portugal	(Es)	20.13	3.718	3.273	0.976	0.388	962.3	1.100	4.106	100	82.93	4.251	0.811	0.337	0.793	0.547	74.44	0.495
Spain	(Pta)	24.27	4.483	3.947	1.177	0.467	1160	1.326	4.952	120.6	100	5.126	0.978	0.406	0.956	0.660	89.77	0.597
Sweden	(SKr)	47.35	8.746	7.699	2.296	0.912	2264	2.588	9.660	235.3	195.1	10	1.908	0.792	1.868	1.287	175.1	1.165
Switzerland	(SFr)	24.82	4.584	4.036	1.204	0.478	1187	1.356	5.063	123.3	102.3	5.242	1	0.415	0.978	0.675	91.79	0.611
UK	(£)	59.78	11.04	9.720	2.899	1.151	2858	3.267	12.19	297.0	246.3	12.62	2.408	1	2.355	1.625	221.1	1.471
Canada	(C$)	25.38	4.688	4.127	1.231	0.489	1213	1.387	5.178	126.1	104.6	5.360	1.023	0.425	1	0.690	93.87	0.625
USA	($)	36.80	6.797	5.983	1.785	0.708	1759	2.011	7.507	182.8	151.6	7.771	1.483	0.616	1.450	1	136.1	0.905
Japan	(Y)	27.04	4.994	4.396	1.311	0.521	1293	1.478	5.516	134.3	111.4	5.710	1.089	0.452	1.065	0.735	100	0.665
Ecu	-	40.64	7.506	6.608	1.971	0.782	1943	2.221	8.291	201.9	167.4	8.583	1.637	0.680	1.601	1.104	150.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5610	0.5618	+0.0005	0.5622	0.5609	22,840	120,613
Sep	0.5645	0.5647	+0.0006	0.5647	0.5642	567	5,426
Dec	-	0.5668	-	-	-	-	137

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6755	0.6770	+0.0015	0.6772	0.6749	7,800	57,262
Sep	0.6826	0.6830	+0.0007	0.6835	0.6825	38	1,597
Dec	-	0.6888	-	-	-	1	48

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7372	0.7384	+0.0016	0.7404	0.7367	41,021	103,763
Sep	0.7476	0.7479	+0.0013	0.7488	0.7476	1,308	3,301
Dec	-	0.7586	-	-	-	223	296

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6196	1.6228	+0.0028	1.6276	1.6196	10,872	52,719
Sep	1.6150	1.6156	+0.0022	1.6180	1.6158	169	955
Dec	-	1.6090	+0.0022	1.6100	1.6026	15	186

UK INTEREST RATES

LONDON MONEY RATES

May 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅝ - 2	7¾ - 7⅛	7⅛ - 7⅞	7½ - 7¾	7⅝ - 7⅝	7⅝ - 7⅞
Sterling CDs	-	-	7⅝ - 7⅛	7⅝ - 7⅝	7⅝ - 7⅝	7⅝ - 7⅛
Treasury Bills	-	-	7¼ - 7½	7¼ - 7⅛	-	-
Bank Bills	-	-	7⅛ - 7⅛	7⅝ - 7⅛	7⅝ - 7⅛	-
Local authority deps.	7⅛ - 7	7¼ - 7⅛	7⅝ - 7⅝	7⅝ - 7⅛	7⅝ - 7⅛	7¾ - 7⅛
Discount Market deps	7⅛ - 7⅛	7¼ - 7⅛	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on May 15, 7.0197pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1998. Agreed rate for period May 26, 1998 to Jun 25, 1998, Scheme III 8.78pc. Reference rate for period Apr 1, 1998 to Apr 30, 1998, Schemes IV & V 7.527pc. Finance House Base Rate 8pc from May 1, 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.490	92.470	-0.020	92.490	92.460	19835	165123
Sep	92.570	92.560	-0.020	92.580	92.540	22944	109966
Dec	92.720	92.700	-0.020	92.730	92.680	36868	118232
Mar	92.900	92.880	-0.020	92.910	92.860	24491	99415
Jun	93.080	93.060	-0.020	93.100	93.050	8029	82156

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
92375	0.105			0.010		
92500	0.030	0.130	0.280	0.060	0.070	0.080
92625	0.010			0.165		

Est. vol. total, Calls 17168 Puts 27506. Previous day's open int., Calls 408555 Puts 298343

EMS EUROPEAN CURRENCY UNIT RATES

May 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	340.112	-0.441	-4.73	4.47	32
Ireland	0.798244	0.781497	+0.00013	-1.85	1.41	12
Italy	1957.61	1940.25	-0.09	-0.89	0.42	6
Spain	168.220	167.136	-0.013	-0.64	0.17	4
Denmark	7.54257	7.49646	+0.00195	-0.61	0.14	4
Portugal	202.692	201.588	-0.031	-0.54	0.07	4
Finland	6.01125	5.97963	-0.00131	-0.53	0.05	4
France	6.63186	6.59824	-0.00039	-0.51	0.04	4
Germany	1.97738	1.96764	-0.00009	-0.49	0.02	5
Netherlands	2.22799	2.21733	-0.00006	-0.48	0.01	4
Belgium	40.7844	40.5919	-0.0005	-0.47	0.00	3
Austria	13.9119	13.8459	-0.0014	-0.48	0.00	3
NON ERM MEMBERS						
UK	0.653644	0.679009	+0.000183	3.88	-4.19	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. 16/3/98: Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Puts Jun	Puts Jul	Puts Aug
1.620	1.19	1.72	2.21	1.23	1.92	2.62
1.630	0.77	1.23	1.78	1.82	2.51	3.20
1.640	0.46	0.92	1.41	2.38	3.09	3.83

Previous day's vol., Calls 295 Puts 1,212. Prev. day's open int., Calls 15,008 Puts 13,481

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	Calls Jun	Calls Jul	Calls Jul	Puts May	Puts Jun	Puts Jul
0.565	1.16	-	-	0.11	0.29	0.45
0.560	0.80	1.06	1.39	0.23	0.43	0.64
0.565	0.49	0.77	1.10	0.41	0.63	0.85

Previous day's vol., Calls 480 Puts 50. Prev. day's open int., Calls 14,416 Puts 20,705

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.27	94.26	-0.01	94.28	94.26	38,289	448,718
Sep	94.23	94.24	-	94.25	94.22	29,823	444,510
Dec	94.14	94.16	-0.01	94.17	94.14	38,545	377,971

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.92	94.92	-	94.92	94.92	143	2,051
Sep	-	94.92	-	-	-	239	1,540
Dec	-	94.93	-	-	94.90	9	38

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Sep	Calls Dec	Puts Jun	Puts Jul	Puts Sep	Puts Dec
[illegible]	[illegible]							

Est. vol. total [illegible]. Previous day's open int. [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
[illegible]	[illegible]					

Est. vol. total [illegible]. Previous day's open int. [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	•Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	•Smith & Williamson	7.25
•Henry Ansbacher	7.25	•Robert Fleming & Co	7.25	Sun Bank	7.25
Banco Bilbao Vizcaya	7.25	•Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	•Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	[illegible]	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	C. Hoare & Co	7.25		
Brit Bk of Mid East	7.25	Hongkong & Shanghai	7.25	• Members of London Investment Banking Association	
•Brown Shipley & Co Ltd	7.25	Investec Bank (UK) Ltd	7.25	* In administration	
Citibank NA	7.25	Julian Hodge Bank	7.25		
Clydesdale Bank	7.25	•Leopold Joseph & Sons	7.25		
The Co-operative Bank	7.25	Lloyds Bank	7.25		
Coutts & Co	7.25	Midland Bank	7.25		
Cyprus Popular Bank	7.25	NatWest	7.25		
Duncan Lawrie	7.25	•Rea Brothers	7.25		
		Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

COMMODITIES & AGRICULTURE

High silver price dries up Indian demand

By Kenneth Gooding, Mining Correspondent

As Warren Buffett, the prominent US investor, was acquiring 4,000 tonnes of silver last year, millions of Indians, the world's biggest consumers of the metal, stopped buying. This is made clear in the latest market survey from the Washington-based Silver Institute.

When the silver price rose sharply towards the end of 1997, reflecting the buying activities of Mr Buffett's Berkshire Hathaway investment group, imports to India virtually dried up.

In India, most silver is bought by farmers in the north who stock pile the metal as a form of saving. They do not look at the dollar price but at the cost in their domestic currency.

"At present, they buy when the price falls below Rs7,000 and stop buying when silver goes above Rs8,000," said Stewart Murray, managing director of Gold Fields Mineral Services, the consultancy that compiled the survey.

When the price of silver was languishing in the first half of last year – hitting a four-year low of $4.22 a troy ounce in mid July – India's bullion imports were "phenomenal". As the price increased, to touch a nine-year high of $6.27 in late December, imports fell to virtually nothing.

Mr Murray said the Indian silver "buyers' strike" was also partly a reaction to the unprecedented level of imports in the record second quarter and partly because the price of gold, also favoured in India for savings, was falling.

Mr Buffett was attracted to silver by the low price, but he was also influenced by the way demand had exceeded conventional supply – from mines and scrap – for many years.

In 1997, the "statistical deficit" was 130m ounces or 4,031 tonnes. Between 1990 and 1997, cumulative silver fabrication demand exceeded mine supply by 2,226m ounces. The gap has been filled by recycled silver scrap, almost entirely from the photographic industry, and more than 1,084m ounces from silver stocks – 700m from identifiable bullion stocks and the balance from private holdings.

Mr Murray suggested the "statistical deficit" would continue for some years and the key question was whether the price had moved enough to bring the market into balance.

He said Indian silver imports had picked up again in March but were still relatively low. With silver back yesterday at $5.28 an ounce, it seems that, for the time being, Mr Buffett and others who bet on a higher silver price are not doing well in their battle with the Indians.

World Silver Survey 1998 from the Silver Institute, 1112 16th Street, N.W., Suite 240, Washington, DC 20036, US: $70 or £45.

Silver: world supply and demand

	1994	1995	1996	1997
Supply				
Mine production	480.1	483.2	489.0	512.8
Old silver scrap	144.6	148.4	158.8	152.5
Implied Disinvestment	151.4	103.0	181.4	128.6
Total Supply	773.2	774.2	828.2	863.4
Demand				
Fabrication	764.1	774.2	814.8	863.4
Industrial	285.0	298.8	301.1	323.5
Photography	213.1	220.4	224.5	232.3
Jewelry and Silverware	223.0	230.2	266.1	280.2
Official Coins	43.0	23.8	22.3	27.4
Total Demand	773.2	774.2	828.2	863.4

Source: World Silver Survey 1998

Hedging blamed for gold's loss of shine

Barrick prospers but some fear forward selling may kill the industry, says **Edward Alden**

The World Gold Council has blamed the dramatic fall in the world's gold price – it slid last year to its lowest level in nearly 18 years – on the increasing use of hedging by producers. The world's biggest and most effective hedger is Barrick Gold, and at the company's annual general meeting last week, Peter Munk, chairman, indicated why.

The company, North America's second largest gold producer, had just come through what Mr Munk called "a devastatingly bad year" in which gold prices dropped 25 per cent and the average share price in the industry fell 45 per cent. Barrick shares dropped from $31 early in the year to less than $19 by the year's end.

However, not only had it survived, in the first quarter of 1998 it turned in a 36 per cent increase in profits – despite gold prices remaining near $300 an ounce.

The company benefited from rising production and a cost-cutting programme, but most of the attention has focused on its aggressive hedging.

In 1997, Barrick's forward-selling meant its entire production realised $420 an ounce, $88 above the average spot price for the year. That produced an extra $269m in revenue and $200m in earnings, said Randall Oliphant, chief financial officer. Over the past 10 years, Barrick has earned an average premium of $46 an ounce over the spot price.

Hedging has been remarkably effective, particularly in the long bear market for gold, most analysts say. Canada's Placer Dome realised strong first-quarter profits on a hedged price of $350 an ounce, and Australia's Normandy Mining has hedged about 60 per cent of its reserves. Companies that have mostly eschewed hedging, such as Newmont Mining, North America's largest gold producer, are more exposed to the continued weakness of gold prices.

"Of all the gold companies in North America, they [Barrick] have been the greatest winner," says Todd Hinrichs, senior mining analyst with ABN Amro in Chicago

But not all observers are quite so enthusiastic. There are many who fear the practice may destroy the gold business. The large quantities of gold dumped on the market as a result of forward selling have, they fear, seriously depressed the price of gold and perhaps tarnished its lustre permanently.

"They've damaged their underlying business," says Graham Birch, who heads the gold and mining team at Mercury Asset Management in London, one of the UK's largest institutional buyers of gold stocks. "Without a doubt they've contributed to the weakness in the gold market, which has affected their stock valuation." While Barrick's stock has recovered to $22, it has yet to regain more than a fraction of last year's slide.

The gold business lends itself to a unique kind of forward selling, because of the large quantities of gold in the world's central banks.

While there are variations, the basic arrangement works like this. A company borrows gold from a bullion dealer or bank, which borrows the metal from a central bank. The company pays a lease rate of roughly 2 per cent for the privilege.

The gold is immediately sold into the spot market, and the proceeds banked to earn interest rate returns of 6 per cent or higher. Gold from production is delivered two, three or more years later against the contract and returned to the central bank. By that time the company has earned not only the proceeds from the original spot sale, but interest profits in the interim.

"It's a great strategy," says Larry Strauss, senior mining analyst with Canaccord Capital in Toronto. "To me it's a no-brainer."

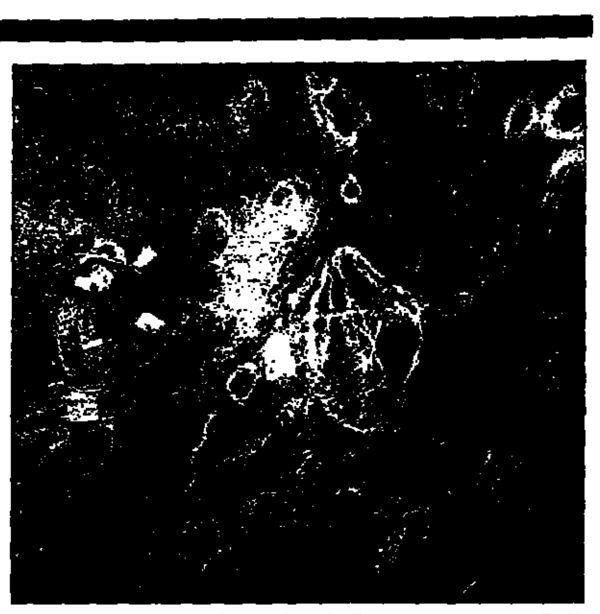
Barrick says it currently has 10m ounces – about three years' production – hedged at more than $400 an ounce, creating a $4bn asset that can earn $200m a year with a 5 per cent net return. Critics say the arrangement depends on the spot price of gold not rising above the forward price.

But Barrick has entered into flexible contracts that allow delivery to be deferred so immediate production can be sold at the higher spot price. Unlike other companies with smaller gold reserves or less solid cash positions, Barrick can defer contracts up to 15 years.

Detractors like Mr Birch at MAM say the strategy leaves hedgers over-exposed to changes in the futures market, but ABN Amro's Mr Hinrichs says the odds of such events are sufficiently small to make hedging a good bet.

Most people who buy gold stocks do so because they are betting on gold prices rising, says Mr Strauss at Canacord. "They want that leverage." A hedged company like Barrick, in contrast, offers stable returns over longer periods, but will not realise the same boost if gold surges.

Mr Birch says that while he continues to buy Barrick shares, "we want the upside potential of a gold price, and it's very important that upside potential remains intact."



Mining for gold: but will it keep its value? Corbis

Calm view on Indonesia helps coffee

MARKETS REPORT

By Gary Mead and Kenneth Gooding

Coffee traders on the London International Financial Futures and Options Exchange took an unemotional view of the continuing uncertainty in Indonesia yesterday, with a developing consensus that disruption to transportation and administrative aspects of coffee trading may be minimal and short lived.

"I think speculation over supply disruptions for Indonesia is premature and that most of the price jumps have related to traders holding back coffee because of the collapsing rupiah. Now sentiment towards the Indonesian currency has improved, the supply situation is likely to be better than the speculators have been implying," said Lawrence Eagles, head of research at GNI.

Traders are talking of a 1998-1999 Indonesian robusta harvest of 300,000-325,000 tonnes, following drought and poor photosynthesis, against a more typical yield of 430,000 tonnes. However, this low expectation has probably already been factored into the price, and may be offset by an expected large Brazilian harvest.

On Liffe, the July robusta contract closed at $1,910 a tonne, $45 lower, partly because of the calmer view of Indonesia's problems and partly as a result of the imminent expiry of the May contract, which, closing $135 lower (at $2,065 a tonne), softened the whole market.

Elsewhere on Liffe cocoa futures also ended lower, the July contract closing at £1,127 a tonne, £14 down, as profit-taking continued.

News that Russia will attend the June 24 meeting in Vienna of the Organisation of Petroleum Exporting Countries failed to boost the flagging spirits of crude oil traders yesterday. The onset of warmer weather in the northern hemisphere signalled the start of further slackening demand. On the International Petroleum Exchange in London Brent crude for July continued to drift within a 15 cent range and was down 1 cent a barrel in later trading, at $14.45.

On the London Metal Exchange copper's price steadied after falling by nearly 5 per cent on Monday to close yesterday at $1,677 a tonne, up $12, or nearly 1 per cent.

Chinese selling caused the fall on Monday, said traders, but it was the big increase in copper supply scheduled to hit the market in the next two to three years that was likely to drive prices lower.

"Some traders are talking about prices as low as $1,400 a tonne," said Jim Lennon, analyst at Macquarie Equities, part of the Australian banking group. "The past relationship between industry costs and prices at the bottom of the economic cycle means such levels are not out of the question."

He pointed to a Brook Hunt consultancy report that suggested copper prices would have to average about $1,543 a tonne next year and in 2000 to generate the big production cuts needed to balance the market. The report drew a parallel with the early 1980s when copper prices at or below $1,543 were needed for four years to induce 1.1m tonnes of annual capacity to be cut at 65 copper mines.

On the bullion market, palladium's price, which reached a record in London on Monday, eased back to close at $400 an ounce.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1349.5-50.5	1377-7.5
Previous	1333-34	1363-64
High/low		1382/1365
AM Official	1338-39	1368-68.5
Kerb close		1380-81
Open int.	n/a	
Total daily turnover	n/a	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1232-7	1250-3
Previous	1235-40	1255-57
High/low		1250/1242
AM Official	1224-27	1242-45
Kerb close		1245-50
Open int.	n/a	
Total daily turnover	n/a	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	538.5-9.5	554.5-5.0
Previous	531-32	547-48
High/low		556/549
AM Official	537.5-38.0	553-53.5
Kerb close		565-6
Open int.	n/a	
Total daily turnover	n/a	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4785-95	4870-75
Previous	4775-85	4860-70
High/low		4950/4840
AM Official	4795-800	4870-80
Kerb close		4850-60
Open int.	n/a	
Total daily turnover	n/a	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5945-55	5885-90
Previous	5970-75	5890-900
High/low		5890/5850
AM Official	5945-50	5860-65
Kerb close		5855-60
Open int.	n/a	
Total daily turnover	n/a	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1048.5-7.5	1073-3.5
Previous	1042.5-43.5	1069-70
High/low		1075/1067
AM Official	1043-43.5	1069-70
Kerb close		1070-1
Open int.	n/a	
Total daily turnover	n/a	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1657-8	1678-9
Previous	1650-51	1670-71
High/low		1680/1633
AM Official	1646-46.5	1666-67
Kerb close		1676-7
Open int.	n/a	
Total daily turnover	n/a	

■ LME AM Official £/$ rate: 1.6257
LME Closing £/$ rate: 1.6245

Spot: 1.6245 3 mths: 1.6176 6 mths: 1.6111 9 mths: 1.6055

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	75.05	+1.85	75.10	74.00	683	1,208
Jun	75.35	+1.85	75.40	74.30	557	3,590
Jul	75.60	+1.85	75.85	73.70	14,714	26,792
Aug	76.00	+1.85	75.75	75.00	431	2,078
Sep	76.30	+1.80	76.30	75.20	811	7,091
Oct	76.45	+1.75	76.50	76.00	186	1,698
Total					19,016	66,068

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	298.80-300.30		
Opening	298.50-296.80		
Morning fix	299.00	183.830	443.567
Afternoon fix	298.70	184.522	444.305
Day's High	300.10-300.40		
Day's Low	298.40-298.70		
Previous close	298.80-299.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month .... 4.54 6 months 4.08
2 months .... 4.43 12 months 3.79
3 months 4.31

Silver Fix	p/troy oz.	US cts equiv.
Spot	322.35	525.25
3 months	326.80	528.60
6 months	328.00	530.00
1 year	333.25	533.25

Gold Coins	$ price	£ equiv.
Krugerrand	299-303	184-188
Maple Leaf	-	-
New Sovereign	70-73	43-45

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	298.7	-0.9			-	-
Jun	299.3	-0.9	301.0	299.0	28,360	58,689
Aug	301.5	-1.0	303.2	301.3	8,877	20,437
Oct	303.6	-1.0	305.2	303.7	124	6,071
Dec	305.6	-1.0	307.2	305.2	482	18,497
Feb	307.3	-1.0	308.7	308.7	340	9,293
Total					37,925	158,980

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	392.3	-2.4	395.8	389.5	2,018	10,832
Oct	389.3	-1.9	392.0	386.5	34	1,096
Jan	385.3	-1.9	-	-	2	48
Apr	382.8	-1.9	-	-	2	13
Total					2,052	12,880

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	398.15	+14.25	399.00	374.00	682	2,116
Sep	350.15	-1.75	353.00	335.50	789	1,769
Dec	338.15	-1.75	320.00	320.00	56	332
Total					1,527	4,217

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	514.7	-11.0	524.0	520.0	167	271
Jul	517.2	-11.5	529.5	516.5	21,527	48,292
Sep	521.0	-11.5	532.0	520.0	689	6,817
Dec	523.2	-11.3	536.0	522.0	648	13,233
Jan	524.0	-11.0	-	-	-	18
Mar	524.7	-10.6	534.0	528.0	207	2,847
Total					23,382	78,866

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	13.83	-0.44	14.10	13.45	53,775	29,024
Jul	15.26	+0.15	15.42	14.90	72,082	114.1k
Aug	15.65	+0.17	15.95	15.55	22,298	53,326
Sep	16.28	+0.22	16.28	15.98	14,203	32,851
Oct	16.54	+0.19	16.54	16.32	3,382	22,607
Nov	16.75	+0.20	16.75	16.50	1,287	14,046
Total					175,872	453,816

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	14.45	-0.01	14.52	14.28	19,164	87,428
Aug	14.70	+0.04	14.77	14.52	6,074	37,891
Sep	14.94	+0.05	14.97	14.78	2,171	17,203
Oct	15.18	+0.05	15.20	15.03	992	10,435
Nov	15.39	+0.06	15.41	15.25	1,167	10,934
Dec	15.58	+0.06	15.60	15.42	1,257	38,292
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	41.50	+0.51	41.90	40.50	12,368	37,461
Jul	42.50	+0.47	42.85	41.60	7,886	35,998
Aug	43.50	+0.32	43.90	42.90	2,556	14,354
Sep	44.90	+0.52	45.25	44.10	1,277	11,944
Oct	46.20	+0.62	46.35	45.50	1,531	9,448
Nov	47.25	+0.57	47.60	46.65	493	8,514
Total					28,484	178,796

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	128.50	+0.50	129.25	128.00	8,948	32,944
Jul	131.50	+1.00	131.75	129.00	3,688	14,041
Aug	134.75	+1.00	134.75	132.50	603	17,316
Sep	137.50	+0.75	138.00	135.25	506	11,849
Oct	140.50	+0.75	140.75	138.25	571	15,468
Nov	143.00	+0.75	143.50	141.00	746	8,627
Total					22,800	141,409

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	8.730	-0.010	8.810	8.730	130	1,225
Jul	8.680	+0.020	8.710	8.650	105	1,090
Total					580	17,785

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.155	+0.021	2.180	2.125	28,818	39,684
Jul	2.190	+0.018	2.200	2.165	12,878	31,850
Aug	2.245	+0.014	2.250	2.225	5,504	23,684
Sep	2.280	+0.006	2.290	2.265	3,186	16,823
Oct	2.340	+0.013	2.340	2.320	2,765	18,412
Nov	2.490	+0.016	2.490	2.475	3,470	11,680
Total					68,424	383,588

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	50.60	+0.55	50.95	49.70	13,218	33,259
Jul	51.80	+0.51	52.10	51.00	7,245	31,243
Aug	52.55	+0.60	52.85	51.70	1,963	17,778
Sep	52.15	+0.50	52.30	51.40	1,155	13,665
Oct	50.80	+0.12	50.80	50.68	50	4,372
Nov	50.60	-0.42	50.60	50.10	80	1,359
Total					23,657	108,481

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	74.50	-1.10	-	-	-	127
Jul	75.65	-1.35	76.00	75.50	164	1,450
Sep	76.75	-1.25	77.50	77.50	5	160
Nov	78.75	-1.25	79.50	78.75	185	3,152
Jan	80.75	-1.25	81.25	81.25	12	698
Total					392	6,162

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	291.75	-2.75	293.50	290.75	18	54
Jul	298.75	-3.75	303.00	298.50	8,800	69,017
Sep	309.75	-2.50	312.00	309.50	1,206	17,083
Dec	324.25	-3.50	328.00	324.00	1,370	24,918
Mar	337.75	-3.25	341.00	337.50	417	5,107
Jul	350.00	-2.00	350.00	349.50	125	348
Total					11,816	117,141

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	238.75	-1.50	239.25	238.00	1,358	823
Jul	245.00	-2.00	246.75	244.75	27,442	147,672
Sep	251.75	-1.75	252.75	251.50	2,061	40,541
Dec	257.75	-1.75	259.25	257.25	14,811	124,634
Mar	265.25	-2.00	266.00	265.00	567	12,036
May	270.00	-2.00	270.50	269.75	61	2,230
Total					48,173	337,490

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	75.50	-0.50	76.00	76.00	17	53
Sep	73.75	-1.25	74.00	74.00	3	21
Nov	75.75	-1.25	76.00	76.00	7	824
Jan	77.75	-1.25	78.00	78.00	1	182
Mar	79.75	-1.25	80.00	80.00	1	41
Total					32	1,139

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	645.50	-6.25	648.50	646.00	1,724	1,273
Jul	632.00	-12.00	643.00	631.50	30,184	68,106
Aug	628.75	-13.25	639.50	628.50	2,573	18,548
Sep	618.25	-10.75	626.00	617.50	387	4,638
Nov	614.00	-8.75	621.75	613.50	9,501	47,715
Jan	620.75	-8.25	627.00	620.50	97	2,972
Total					44,598	144,228

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	27.63	-0.52	27.90	27.80	204	217
Jul	27.58	-0.71	28.42	27.55	7,572	82,125
Aug	27.73	-0.68	28.15	27.72	2,052	21,028
Sep	27.80	-0.65	28.20	27.80	286	13,676
Oct	27.71	-0.64	28.10	27.70	130	7,780
Dec	27.54	-0.59	28.06	27.53	1,271	28,790
Total					11,607	187,535

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	153.8	-2.7	155.3	153.5	1,518	523
Jul	156.3	-2.9	159.0	156.0	11,743	62,460
Aug	157.5	-3.0	160.2	157.4	1,807	18,485
Sep	158.8	-2.9	161.0	158.7	392	14,227
Oct	158.8	-2.9	161.0	158.8	200	9,992
Dec	161.3	-2.9	163.8	161.3	2,073	24,276
Total					17,827	135,538

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	140.0	-	-	-	-	-
Nov	80.0	-	-	-	-	-
Mar	125.0	-4.0	-	-	-	-
Apr	175.0	-4.0	180.0	174.0	154	1,458
May	185.0	-4.0	-	-	-	-
Total					154	1,458

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
May	960	+5	-	-	-	330
Jun	910	-5	910	910	7	71
Jul	905	-5	-	-	-	384
Oct	1000	-	1000	1000	2	283
Jan	1040	-	-	-	-	133
Total					9	1,211

	Close	Prev
BFI	982	985

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	515.00	-3.25	517.00	515.00	15	456
Sep	539.75	+0.25	539.75	539.75	2	453
Total					75	1,805

FUTURES DATA
All futures data supplied by CMS.

Tea from the Tea Brokers' Association Mombasa: Strong and improved demand at dearer rates. BP1's of all categories advanced on average by 15-40 cents. Brighter PF1's showed substantial gains by up to 60 cents, sometimes more, with Coloury Mediums appreciating by up to 50 cents. Lighter, Lower Mediums Plainer were dearer by 5-25 cents. PDusts and Dust1's of all categories were dearer. Secondary Dusts were appreciably dearer with well sorted Fannings firm to dearer. BMF's and fibrous Fannings tended easier. The next report will appear on June 3

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1111	-14	1115	1115	2	118
Jul	1127	-14	1135	1120	1,901	29,058
Sep	1147	-14	1153	1141	1,254	21,749
Dec	1165	-13	1174	1159	972	32,250
Mar	1183	-12	1188	1176	939	37,872
May	1195	-12	1195	1191	10	13,274
Total					5,228	148,744

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1680	-35	1701	1672	4,080	26,087
Sep	1700	-33	1720	1692	973	15,520
Dec	1722	-35	1745	1720	460	15,490
Mar	1748	-35	1770	1747	422	10,133
May	1764	-35	1785	1760	10	3,908
Jul	1780	-37	1798	1773	34	1,557
Total					6,081	80,579

■ COCOA (ICCO) (SDR's/tonne)

May 18	Price	Prev. day
Daily	1347.69	1362.46

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	2075	-125	2180	2065	475	2,365
Jul	1905	-50	1950	1890	3,195	23,438
Sep	1835	-40	1875	1825	1,338	8,014
Nov	1795	-30	1829	1790	196	2,430
Jan	1755	-20	1780	1755	34	205
Mar	1715	-10	-	-	-	357
Total					5,239	36,843

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	135.50	+7.85	136.50	127.75	3,453	16,976
Sep	132.85	+7.35	133.50	126.25	528	8,282
Dec	128.50	+6.50	129.00	122.75	117	7,065
Mar	124.40	+5.65	124.00	120.00	48	2,535
May	122.40	+5.65	118.75	118.00	44	1,087
Jul	120.55	+5.55	117.50	118.50	10	778
Total					4,387	37,306

■ COFFEE (ICO) (US cents/pound)

May 18		Prev. day
Comp. daily	115.37	113.14
15 day average	113.69	113.68

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	258.3	-2.2	258.5	254.9	1,086	16,780
Oct	256.6	-1.5	257.8	255.2	72	11,310
Dec	259.1	-1.4	259.0	257.5	20	2,038
Mar	263.8	-1.3	263.5	262.5	40	2,334
May	267.3	-1.3	-	-	-	636
Aug	271.3	-1.1	-	-	-	290
Total					1,218	33,418

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	8.85	-0.10	8.89	8.76	8,217	73,941
Oct	9.04	-0.11	9.06	8.95	3,394	52,869
Mar	9.51	-0.10	9.54	9.45	1,933	25,435
May	9.57	-0.09	9.54	9.54	29	3,996
Jul	9.63	-0.09	9.65	9.57	14	3,642
Oct	9.61	-0.09	9.67	9.61	91	4,012
Total					13,813	166,273

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	66.32	-0.33	66.45	66.05	4,738	31,702
Oct	69.18	-0.25	69.20	68.90	329	4,265
Dec	70.41	-0.29	70.45	70.15	2,874	34,474
Mar	71.77	-0.26	71.85	71.85	211	7,546
May	72.35	-0.28	72.30	72.20	132	3,409
Total					8,685	86,676

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	73.05	-0.25	73.00	73.00	190	2,233
Jul	108.05	-1.10	109.20	108.05	2,209	22,299
Sep	111.20	-1.15	112.30	110.00	277	6,515
Nov	113.40	-1.00	114.25	112.00	225	4,557
Jan	114.95	-1.20	115.10	114.00	56	2,126
Mar	117.25	-1.30	118.50	116.65	12	1,113

May/118.45-1.50- - 27680

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

May 19	May 18	month ago	year ago
1616.60	1627.60	1649.90	2009.8

■ CRB Futures (Base: 1967 = 100)

May 18	May 15	month ago	year ago
219.27	221.96	-	-

■ GSCI Spot (Base: 1970 = 100)

May 18	May 15	month ago	year ago
180.50	184.41	167.61	202.94

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+3,060	to	536,700
Aluminium alloy	-60	to	51,520
Copper	-750	to	272,150
Lead	-50	to	107,325
Nickel	-174	to	64,248
Zinc	-1,975	to	445,250
Tin	+130	to	5,480

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	65.025	-0.650	65.850	64.750	9,084	34,846
Aug	66.800	-0.425	67.150	66.300	5,471	28,634
Oct	67.475	-0.075	67.650	67.050	2,398	15,855
Dec	68.525	-0.125	68.750	68.300	889	8,061
Feb	69.500	-0.225	69.850	69.450	200	2,095
Apr	70.850	-0.100	71.100	70.850	125	830
Total					18,267	97,772

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	61.975	-0.675	63.150	61.925	3,243	11,777
Jul	60.725	-1.175	62.275	60.700	2,371	9,390
Aug	57.225	-1.025	58.550	56.900	969	5,841
Oct	52.800	-0.500	53.425	52.550	172	3,988
Dec	52.600	-0.550	53.650	52.500	370	3,322
Feb	55.475	-0.275	55.900	55.450	70	875
Total					7,196	35,605

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
May	57.700	+1.025	57.850	56.500	91	542
Jul	54.700	+0.750	55.150	53.825	977	4,661
Aug	51.800	+0.850	52.700	51.100	328	1,383
Total					1,396	6,588

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
n/a				
n/a				
n/a				
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
n/a				
n/a				
n/a				
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
n/a				
n/a				
n/a				
■ COCOA LIFFE	Jul	Sep	Jul	Sep
n/a				
n/a				
n/a				
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1450	-	-	-	-
1500	25	-	-	-
1550	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$12.53-2.63x	-0.05
Brent Blend (dated)	$14.86-4.92	+0.13
Brent Blend (Jul)	$14.48-4.54	+0.12
W.T.I.	$15.19-5.21x	+0.10

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$165-167	
Gas Oil	$126-127	
Heavy Fuel Oil	$66-68	
Naphtha	$135-137	-2
Jet fuel	$140-142	
Diesel	$132-133	

■ NATURAL GAS (Pence/therm)

Bacton (Jun)	8.75-8.80	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

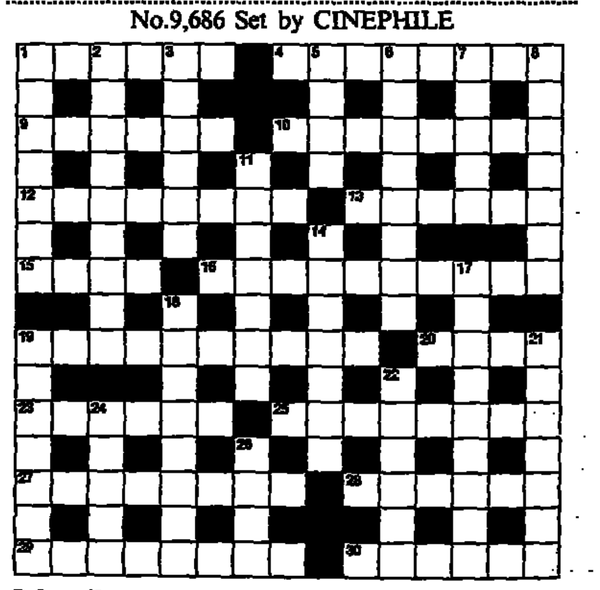
Gold (per troy oz)♣	$300.05	+1.00
Silver (per troy oz)♣	527.50c	-14.5
Platinum (per troy oz.)	$393.00	-12.00
Palladium (per troy oz.)	$395.00	-12.00
Copper	83.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	21.54r	
Tin (New York)	283.5	-1.0
Cattle (live weight)	84.53p	-2.35*
Sheep (live weight)	138.34p	+0.72*
Pigs (live weight)†	66.83p	-1.71*
Lon. day sugar (raw)	$227.40	-2.60
Lon. day sugar (wte)	$264.50	-3.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	48.00p	
Rubber (Jul)♥	48.00p	
Rubber (KL RSS No1)	303.50m	+3.00
Coconut Oil (Phil)§	755.0y	
Palm Oil (Malay.)§	730.0	
Copra (Phil)§	$453.0y	
Soyabeans (US)	180.0	
Cotton Outlook'A' index	64.45	+0.05
Wooltops (64s Super)	384p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jun/Jul. x Jul. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,529 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,686 Set by CINEPHILE

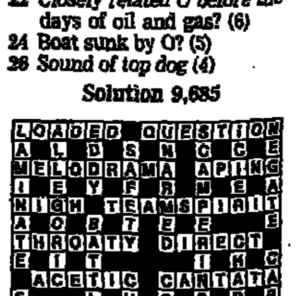


O has the same meaning wherever it occurs in the clues

ACROSS
1 Smoke time returns, which is very sad (6)
4 Fish and fish – the big one that's beaten (4,4)
9 Woe often leads one to gamble and die horribly (6)
10 Frothy sweet for sick sailor in submarine (8)
12 Marker with stripe that barely runs (8)
13 Idea of an O, they tell us (6)
15 Adjuration in the boat-house (4)
16 Request one by one in attractive style (10)
19 Female gets a professorship, circumventing myself and others with beards (6,4)
20 The little page is going to cry (4)
23 A rich husband briefly missing holds court in an O (6)
25 Weapon produced by burning one's boats? (4,4)
27 A feeling provoked by a party in Ireland (4,4)
28 Make an ascription for which I get myself put inside (6)
29 Remains unfinished – all true from now on? (4,4) (and see 8)
30 24 hours in future? (3,3)

DOWN
1 Thanks to bachelor's company, it's a hot sauce (7)
2 In old old case, sailor's number is O (9)
3 A file on a summer O (6)
5 Song following O for displaying marine life (4)
6 Southern nut keeps one fish (8)
7 Religious leader nearly useless at sport (5)
8 Singer's sweetheart 29 across the O – bring her back! (2,5)
11 "Physician, —self" – well! (7)
14 O not wanting a row (7)
17 Courser after O for liner – you turn hot, within reason (9)
18 Management is furious about champion's failure to score (6,2)
19 Afraid to raise sail into the wind without audience (7)
21 Peep out and snoop around, being hot and sharp (7)
22 Closely related O before the days of oil and gas? (6)
24 Boat sunk by O? (5)
26 Sound of top dog (4)

Solution 9,685



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Bank Von Ernst & Cie AG

Frontrunner I (u)

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

Barclays Diversified Portfolio (z)

Barclays Inv Funds (Luxembourg)

GT Global

HSBC Investment Funds Luxembourg SA (u)

Daiwa Japan Small Equity Fd (s)

Dicom Worldwide Investment Fund

The Dragon Fund Sicav

Dresdner RCM European Bond Fund

The European Value Fund

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund

Fischer Francis Trees & Watts

Fleming Group

Foreign & Colonial Emerging Markets Ltd

Frankfurt-Trust Investment-Luxemburg AG

HSBC Global Funds

Templeton Emerging Asia

Swiss Financial Services SA Lux

World Invest SICAV

OFFSHORE INSURANCES

American International Ltd

Isle of Man Assurance Ltd

Old Mutual International (Guernsey) Ltd

Old Mutual International (Isle of Man) Ltd

Fleming Group (s)

Foreign & Colonial Portfolios Fd Sicav(z)

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

Credit Suisse Asset Mgmt Funds

Lloyds Bank Luxembourg

Merrill Lynch Asset Management

Swiss Bank Corporation

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	†‡	619½xd	+6½	646	487½	4,111	4.9	15.1
Bulmer (HP)	†	[illegible]	—	[illegible]	[illegible]	–	5.2	11.1
Burn Stewart	†	29	—	70½	19½	30	10.6	–
Diageo	[illegible]	[illegible]	[illegible]	[illegible]	432	[illegible]	2.4	32.2
Glenmorangie A	†	780	—	995	755	–	2.2	16.7
B	†	902½	—	1090	[illegible]	–	0.9	43.2
Highland	†	[illegible]	—	347	[illegible]	[illegible]	3.7	14.2
5¼pc Cv Sb Bd		97½	—	99½	85½	–	5.9	–
Kirin Y	[illegible]	[illegible]	+15¼	[illegible]	416½	–	0.8	–
Matthew Clark	[illegible]	212½	—	277½	[illegible]	[illegible]	11.8	6.9
Merrydown		49½	—	109½	37½	–	7.8	–
Seagram C$		[illegible]	[illegible]	[illegible]	[illegible]	–	1.1	–

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Continued

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Continued

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Continued

[illegible]

PROPERTY

[illegible]

If only... hindsight ...the South Sea wasn't so effervescent

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Continued

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		£19½	-¼	*£19⅞	60½	-	3.5	10.5
Barlow R	‡	552	-¼	885	544	-	2.7	14.0
Gold Flds Prop R		132½	-½	187	98¼	-	5.9	14.0
SA Breweries R		£19½	+½	£22¾	£15¾	-	2.1	♦
Standard Bank R		£36¼	-¼	£38¾	£22¾	-	1.5	-
Tiger Oats		948	—	1160	780	-	2.0	18.1
Tongaat-Hulett R		741½	+3½	780	583	-	2.3	16.8

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRANS		£59980xd	—	£61280	£472	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for these particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discount (Dis) or premium (Pm -) to the current closing share price. [illegible]

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♦ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on assumed dividend after scrip issue. a Figures or report pending rights issue. g Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. ? Dividend yield includes scrip issue. rights issue. II Yield based on prospectus or other official estimates for 1997. E Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. II Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: , ex dividend; , ex scrip issue; , ex rights; , ex all; , ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1405 a year for each security shown, subject to the Editor's discretion.

♣ FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the Internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Please note that FT Company Focus/Focus Plus reports ceased to be available as from May 4th 1998. However ShareFinder company reports, incorporating current and historic financial information, key performance data and consensus recommendations, may still be purchased by calling 0870 601 4600.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Leaders rally well as smallcaps hit record high

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London's front-line stocks staged a strong rebound yesterday after suffering three straight sessions of heavy falls as more hard takeover activity reminded investors of the potential for much more bid/merger news in coming months.

And London was much more sanguine about the chances of a rate rise in the US. There was no news of the Federal Reserve open market committee's decision on interest rates as London closed, but the overall feeling was that rates would probably be left on hold for the time being.

There remained some concerns, however, that the Federal Reserve would issue some form of warning that rates might have to be pushed higher in coming months if inflationary pressure began to threaten.

While there were no such upside fireworks in the market's second and third-line stocks, they both maintained upward momentum, with the FTSE 250 nudging ahead and threatening its all-time high, and the FTSE SmallCap hitting new intraday and closing peaks.

"London was a bit twitchy at the start but once the bids starting rolling in and the better feel about US rates kicked in, we felt much better," said one marketmaker.

He insisted, however, that the midcaps and smallcaps offered better value than the leaders, citing the widespread rumours of many more bids in the pipeline.

Asked about inflation and public finance data announced during the mid-morning, he said the market had taken the figures in its stride. "There were no real shocks in the numbers – the shock might come later from the US."

At the finish of a busy trading session the FTSE 100 was 51.6 ahead at 5,877.8, having got to within five points of the 5,900 level during the mid-afternoon when the Dow Jones Industrial Average was moving steadily higher. Not long after London closed, the Dow was up *about 50 points.*

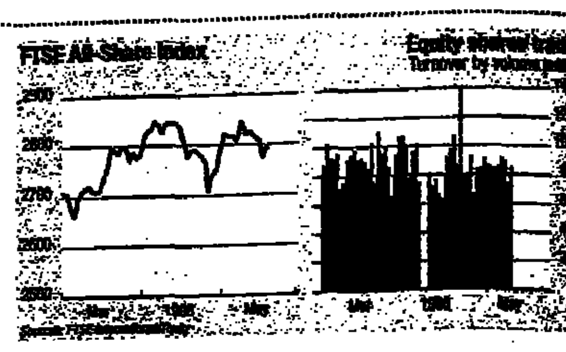
The FTSE 250 index scrambled about for much of the day, opening on a dull note, rallying, slipping back and then pushing ahead again just before the close, eventually settling with a 2.7 gain at 5,795.2, only 2.6 from its record close and 7.9 off its previous intra-day record.

The SmallCap, on the other hand, gave another powerful performance, building quietly on a good opening and finishing at a closing and intra-day peak of 2,760.5, up 9.0.

There was a bout of market indigestion when the *April inflation data* was released along with news of the public finances during that month. A higher-than-expected headline inflation number of 4.1 per cent, up *1.1 per cent* on the month, caused only momentary unease, however, and had been widely predicted – including the effects of the Budget moves on petrol, diesel and mortgage payments.

Much better than forecast public finances showed a debt repayment of £3.4bn, against a forecast repayment of £0.25bn, and played a part in restoring confidence to sentiment in the market.

Meanwhile, the bids kept on coming, notably a £260m agreed bid for EIS, the aerospace engineering group, from TI. Turnover at 6pm was 855m shares.



Indices and ratios

FTSE 100	5877.8	+51.6	FT 30	3844.2	+12.8
FTSE 250	5795.2	+2.7	FTSE Non-Fins p/e	23.28	23.29
FTSE 350	2857.1	+20.4	FTSE 100 Fut Jun	5920.0	+88.0
FTSE All-Share	2794.62	+19.27	10 yr Gilt yield	5.94	5.95
FTSE All-Share yield	2.80	2.83	Long gilt/equity yld ratio	2.14	2.13

Best performing sectors

1. Insurance +2.4
2. Electronic & Elect +2.2
3. Retailers: Food +2.0
4. Life Assurance +1.9
5. Banks: Retail +1.9

Worst performing sectors

1. Chemicals −0.9
2. Oil Exploration & Prod −0.6
3. Leisure & Hotels −0.6
4. Diversified Inds −0.3
5. Paper: Pkg & Printing −0.3

Disposal boosts Sainsbury

COMPANIES REPORT

By Peter John and Martin Brice

Two of the UK's prestige retailers – J. Sainsbury and Next – headed the list of Footsie risers on the back of a couple of well-received announcements.

Sainsbury ended the day *more than 7 per cent up* after it said it had sold its holding in Giant Food of the US to Ahold of the Netherlands for more than $600m.

The company said this represented a profit of more than $160m on its three-and-a-half-year investment in Giant. Shares in Sainsbury, which has recently lost ground to arch-rival Tesco, rose 34½ to 515½p.

Enthusiasm for the high *street rippled* over to Next, which jumped 33½ to 521p after the company gave a reassuring trading update.

Analysts found disappointing the sales growth of only 0.5 per cent in the 15 weeks since the beginning of February.

But there was great relief that there was no further bad news to follow the profits warning in March and they said the outlook was encouraging.

Also, the presentation marked a turning point after 40 per cent underperformance against the sector over the past 12 months.

However, one broker said the company was likely to fall out of the Footsie when the index steering committee meets next month, and it might lose the support of big institutional investors. Another said the share price rise was exaggerated by a squeeze in the stock.

On the other hand, **Marks & Spencer** fell back after the company said it expected the retail climate to get harsher this year, partly because windfalls from demutualised building societies would be far lower than last year's £20bn.

One analyst described the statement as a disguised profits warning, and bearish CSFB cut its full-year profit forecast by £45m to £1,090m. The shares closed 4 off at 576p.

Meanwhile, Asda was restrained to a rise of only 3¼ to 184p as Morgan Stanley downgraded its recommendation to "outperform" from "strong buy".

On Monday, the supermarket chain denied weekend press speculation that it was planning a £13m merger with Kingfisher, but said the two companies had looked at the possibility.

Billiton, the mining group, slipped 3½ to 158½p in spite of a group of brokers setting off for South Africa to see the company's operations there.

Sanlam, the South African *financial institution, has* reduced its direct holding in Billiton by 101m shares from 15.7 per cent to 10.9 per cent.

Lloyds TSB jumped 30½ to 864p with a boost from Morgan Stanley. The US broker upgraded its rating on the shares to "strong buy" from "outperform".

The shares had fallen almost 25 per cent from the £11.00 peak in mid April because of profit-taking and fears over margins in mortgage lending. Morgan said the share price drop and the worries over its mortgage operation were overdone and it maintained a price target of £10.88.

National Westminster was held back to a gain of only 3 at £11.31 as the market got wind of a downgrade by Schroders.

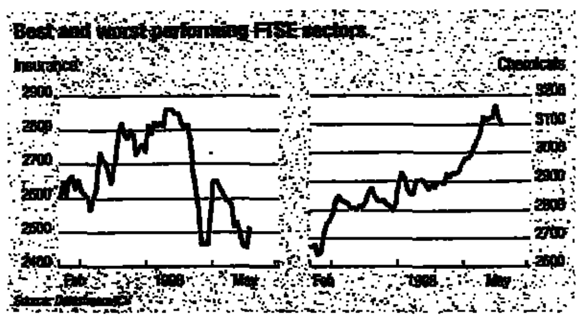
Dealers said the broker had cut its current-year profit forecast by 8 per cent to about £1.86bn.

The broker is believed to have changed its numbers on the basis that 5 per cent growth is unlikely and staff and cost reductions will not be as swift as previously thought.

Meanwhile, *HSBC* lifted 15 *to £16.63 as the international* banking group stressed its commitment to investment banking. There has been speculation that it intends to offload its James Capel broking arm.

British Energy gained 18¾ to 563½p in response to a sharp rise in annual profits.

Analysts were expecting to upgrade their current-year estimates after the company revealed profits of £191m against a consensus forecast of £165m and a 10p special dividend.



Pearson upgrade

Broker Merrill Lynch upgraded its recommendation on Pearson, the media group that owns the Financial Times, to "buy" from "accumulate".

Pearson, which announced on Monday it is buying the educational division of Simon & Schuster from Viacom of the US, rose 8¼ to £10.36.

Shares in companies with bus operations were a positive feature as weighty research from Charterhouse Tilney went to institutional investors.

In the 170-page document, the broker's transport team focused on the likely effect on bus operations of the government's pending transportation white paper. Charterhouse recommended investors buy Go-Ahead Group, up 7½ at 692½p, and FirstGroup, which now controls 20 per cent of the UK bus market. Its shares eased 3 to 408½p.

National Express, which Charterhouse advised investors to accumulate, gained 22 to £10.57½.

Strength among bus operators was confirmed by results from *Metroline. Its* shares rose 14 to 232½p after strong results that included a 25 per cent pre-tax advance to £2.62m, which was said to have prompted an upgrade of *forecasts* for the current year from £4.7m to £5.4m.

Elsewhere in the transport sector, American Port Services rose 6½ to 188p following the agreed cash offer from AB Ports, which lost 2 to 365p.

Eurotunnel rose 3½ to 61p after a meeting of its French shareholders was told that if the company managed to stop losing money by 2000, the shares would be worth almost twice current value.

The property sector, long seen by analysts as ripe for consolidation, saw a series of statements on takeover developments.

Trafford Park Estates was up 11¼ at 191p after Green Property, the largest quoted property company in Ireland, made a paper offer worth 212p a share with a 190p-a-share alternative.

However, Chesterfield Properties was down 30 at 612½p after it said takeover talks had ended.

Delancey Estates fell 8½ to 101p after it said talks would not result in a bid, but could lead to the issue of shares at a price substantially below the current price.

Greenalls was off 14½ at 487p in 1.6m traded after the brewer said sales in its pubs and restaurants had shown a slowdown in the spring, although it was ahead of the same period last year.

FT 30 INDEX

	May 19	May 18	May 15	May 14	May 13	Yr ago	*High	*Low
FT 30	3844.2	3831.4	3894.6	3902.5	3899.5	2961.9	3920.3	3825.9
Ord. div. yield	2.88	2.88	2.80	2.80	2.80	3.71	4.22	2.79
P/E ratio net	23.84	23.90	25.31	25.31	25.29	17.91	25.41	15.80
P/E ratio nil	23.72	23.69	25.08	25.08	25.07	17.73	26.19	15.71

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3831.4	3839.7	3828.0	3841.7	3837.8	3845.5	3833.9	3838.5	3846.9	3852.1	3825.9

STOCK MARKET TRADING DATA

	May 19	May 18	May 15	May 14	May 13	Yr ago
SEAQ bargains	61,238	68,059	59,732	63,104	63,083	46,559
Equity turnover (£m)†	-	2984.4	2846.7	3352.6	2886.1	2495.1
Equity bargains†	-	52,315	49,575	49,921	48,630	43,840
Shares traded (m)†	-	835.4	746.9	778.7	728.1	659.0
Total market bargains‡	-	67,080	60,774	62,902	62,838	-
Total turnover (£m)‡	-	4148.8	3838.3	4580.5	3980.7	-
Total shrs traded (m)‡	*855.0	1083.7	953.0	1024.4	954.3	-
Tradepoint turnover (£m)	25.2	27.9	18.2	35.8	25.2	2.3
Tradepoint shrs traded	8,812	7,779	6,189	8,049	8,122	445

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	868	Total Highs	205	Total contracts	38,648
Total Falls	697	Total Lows	47	Calls	26,098
Same	1,440			Puts	12,550

May 19 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5850.0	5915.0	+98.0	5935.0	5849.0	16990	156465
Sep	5975.5	5990.5	+98.5	5975.5	5975.5	4	11368
Dec		6073.0	+98.0			0	250

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		5814.0	+0			0	6714

FTSE 100 INDEX OPTION (LIFFE) (*5888) £10 per full index point

	5700 C	5700 P	5750 C	5750 P	5800 C	5800 P	5850 C	5850 P	5900 C	5900 P	5950 C	5950 P	6000 C	6000 P	6050 C	6050 P
Jun	309	69	263	101½	228½	115½	196½	135½	166½	155½	136½	176½	114	204	92½	232½
Jul	377	139½	340½	150	310½	170½	281½	182	252	213	223	235	196	260½	174½	289½
Aug	440½	191½	419	209½	380½	228½	358	248	330½	267½	301	287½	271½	308½	249	337
Sep	501	223½	472	244	443	265	414	286	384½	307	355	328	328½	349½	301	370
Dec†	664	295½			602½	333½			536½	372			472½	412½		

Calls 1,115 Puts 1,265

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5725 C	5725 P	5775 C	5775 P	5825 C	5825 P	5875 C	5875 P	5925 C	5925 P	5975 C	5975 P	6025 C	6025 P	6075 C	6075 P
Jun	278½	90½	246½	107½	213	123½	180	140½	151½	161½	124	183½	101	210½	81	240
Jul	360	144½	328	160	294	177½	265½	195½	234½	217	207½	238	182½	263½	174½	288½
Aug	436	195	403	210½	376½	227½	340	245½	310½	265½	282½	285½	258	309	231	333
Sep	494½	225			419	257½			360½	296			308	339½		
Dec†	636½	297			558	330½			610	368			455	409		

Calls 6,555 Puts 7,409 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
–	F.P.	25.4	103½	83½	AB Airlines	95½		–	–	–	–
•	F.P.	14.7	325	232½	†Ambishus Pub Co	235	−5	–	–	–	–
§	F.P.	–	105½	97½	Aberdeen Convertible C	105	+½	–	–	–	–
–	F.P.	–	62	59	Ascot B	61		–	–	–	–
–	F.P.	221.9	40	36	BTR Red Pfd B	38		4.75	–	15.6	–
–	F.P.	21.9	98	87½	Baronsmead VCT 2	87½		–	–	–	–
4	F.P.	1.08	5¾	5	†Captain O.M. Watts	5¾		–	–	–	–
–	F.P.	0.05	1¾	1	†Do Warrants	1¾		–	–	–	–
–	F.P.	8.95	100	100	Close Bros AIM VCT	100		–	–	–	–
–	F.P.	98.9	217	126½	†Dacie Petroleum	209	+34½	–	–	–	–
§30	F.P.	16.7	32¼	23½	†Dimension Res	25	+1	–	–	–	–
–	F.P.	–	8½	3½	†Do Warrants	8½		–	–	–	–
–	F.P.	18.6	20	18½	GRE Red Pfd B	18½		–	–	–	–
§325	F.P.	21.2	386	330	†Inter-Alliance	386	+21	–	–	–	–
§103	F.P.	22.3	127½	114½	JWE Telecom	115	−1½	W1.54	3.9	1.7	19.2
–	F.P.	135.2	94½	72½	Lonrho Africa	86½	−½	L2.3	4.2	3.3	8.9
–	F.P.	228.8	275½	272½	Metalam	274½		L5.0	2.5	2.3	22.1
100	F.P.	39.0	97½	97½	Murray VCT 3	97½		–	–	–	–
–	F.P.	–	139½	138½	Taiwan IT GDR	138½		–	–	–	–
§200	F.P.	158.7	247	209½	Taylor & Francis	247	+4½	L3.0	2.4	1.5	39.3
§170	F.P.	1,935	200	191	Thomson Travel	193½	−2	W2.8	2.9	1.8	23.5
–	F.P.	–	36½	34½	Transport Dev B	35½		–	–	–	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 18	% chg on day	May 15	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index(32)	1226.94	−1.1	1240.37	1665.79	1.98	–	1598.47	881.25
Regional Indices								
Africa (14)	1340.67	−0.1	1342.57	1810.67	4.01	29.80	1810.67	821.78
Australasia (7)	1408.92	−0.8	1419.14	1780.74	2.35	20.38	1780.74	933.83
North America (11)	1176.37	−1.5	1194.61	1473.58	1.06	45.48	1574.16	884.86

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 19	Day's chge%	May 18	May 15	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5877.8	+0.9	5826.2	5917.8	4607.5	2.80	2.38	2.04	21.84	67.23	2567.16
FTSE 250	5795.2	----	5792.5	5797.8	4489.0	2.82	2.38	2.05	21.65	55.67	2479.32
FTSE 250 ex IT	5853.0	----	5852.4	5854.9	4503.6	2.89	2.44	2.11	20.48	57.89	2513.60
FTSE 350	2857.1	+0.7	2839.7	2873.0	2234.8	2.81	2.38	2.04	21.80	31.55	2549.35
FTSE 350 ex IT	2859.9	+0.7	2839.2	2876.1	2234.7	2.82	2.39	2.05	21.56	31.99	1308.92
FTSE 350 Higher Yield	2803.3	+0.7	2782.6	2817.4	2179.0	3.78	3.23	1.95	16.94	39.42	2136.24
FTSE 350 Lower Yield	2922.3	+0.7	2901.9	2939.7	2295.6	2.07	1.73	2.17	27.81	25.32	2120.31
FTSE SmallCap	2760.49	+0.3	2751.54	2749.15	2304.47	2.78	2.25	1.61	27.91	22.86	2395.54
FTSE SmallCap ex IT	2764.63	+0.4	2754.85	2749.92	2298.98	2.95	2.39	1.68	25.28	23.83	2423.26
FTSE All-Share	2794.62	+0.7	2775.35	2808.43	2196.14	2.80	2.37	2.02	22.11	30.44	2530.47
FTSE All-Share ex IT	2799.31	+0.7	2779.66	2813.43	2195.71	2.83	2.39	2.03	21.73	30.90	1304.10

FTSE Actuaries Industry Sectors

	May 19	Day's chge%	May 18	May 15	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	4881.13	+0.4	4862.63	4982.67	4294.39	3.12	2.70	1.72	23.33	74.18	2245.46
12 Extractive Industries(6)	3202.08	----	3201.29	3277.73	4419.65	4.40	4.02	2.02	14.05	76.82	1010.63
15 Oil, Integrated(4)	5461.25	+0.5	5433.23	5571.13	4411.37	3.08	2.64	1.64	24.66	79.87	2584.16
16 Oil Exploration & Prod(12)	3400.28	−0.6	3420.93	3484.00	3607.35	1.68	1.39	2.00	37.20	31.12	2111.94
20 GEN INDUSTRIALS(226)	2407.80	+0.3	2401.21	2415.99	1916.66	3.08	2.69	2.21	18.35	27.86	1412.97
21 Construction(38)	1684.95	+0.5	1676.25	1672.04	1381.80	2.89	2.35	2.65	16.32	18.66	1502.26
22 Building Matls & Merchs(27)	2017.04	+0.4	2009.67	2010.95	1847.25	3.70	3.16	2.03	16.69	29.49	1096.19
23 Chemicals(24)	3099.18	−0.9	3126.23	3165.53	2308.29	3.05	2.64	1.79	22.98	41.83	1586.52
24 Diversified Industrials(10)	1494.99	−0.3	1500.09	1503.70	1379.74	3.83	3.41	2.40	14.37	20.85	918.72
25 Electronic & Elect Equip(26)	2795.38	+2.2	2734.81	2791.92	2068.90	3.09	2.50	1.82	24.99	21.46	1540.39
26 Engineering(62)	3254.02	+0.2	3245.83	3264.15	2469.48	2.86	2.53	2.44	17.97	36.49	2097.38
27 Engineering, Vehicles(10)	4484.21	−0.3	4496.53	4500.55	2784.88	1.99	1.82	3.31	18.98	39.42	2469.68
28 Paper, Pckg & Printing(23)	2470.99	−0.3	2479.24	2470.71	2188.64	4.13	3.47	2.22	13.61	29.85	1112.58
30 CONSUMER GOODS(92)	5716.84	+0.5	5685.95	5815.60	4473.16	2.58	2.29	1.84	26.65	73.36	2261.88
32 Alcoholic Beverages(6)	4139.85	+1.2	4089.98	4148.63	3185.30	2.82	2.79	1.87	23.69	67.92	1621.81
33 Food Producers(25)	4159.74	+0.5	4139.46	4197.18	2923.31	2.59	2.21	2.01	24.04	82.09	2018.14
34 Household Goods & Texts(24)	3482.70	−0.1	3484.85	3539.97	2953.80	3.16	2.81	2.19	18.10	46.45	1467.82
36 Health Care(14)	2395.49	+0.6	2380.11	2384.58	2175.60	2.13	1.82	2.39	24.58	15.80	1526.19
37 Pharmaceuticals(20)	9937.84	+0.4	9901.51	9607.63	7194.37	1.97	1.74	1.70	37.26	95.15	3339.84
38 Tobacco(3)	4811.47	+0.8	4774.12	4812.92	4603.77	5.35	4.72	1.75	13.33	121.61	1344.24
40 SERVICES(278)	3485.81	+0.3	3473.63	3489.32	2675.11	2.44	2.00	1.93	26.55	22.79	1912.29
41 Distributors(28)	2925.98	+0.1	2922.73	2923.06	2734.73	3.26	2.70	2.00	19.16	33.42	1148.35
42 Leisure & Hotels(27)	4064.82	−0.6	4088.28	4104.31	3463.15	2.44	1.95	2.37	21.57	51.40	2302.05
43 Media(41)	4608.70	----	4607.22	4627.73	4304.41	2.23	1.88	2.17	25.88	45.46	1744.36
44 Retailers, Food(13)	2954.14	+2.0	2896.18	2949.96	2117.95	3.01	2.41	2.12	19.58	36.16	2012.03
45 Retailers, General(48)	2415.37	+0.1	2414.03	2404.09	2059.42	3.08	2.48	2.04	19.90	12.62	1482.30
46 Telecommunications(10)	3861.08	+0.7	3834.63	3871.98	2285.61	2.25	1.86	1.39	40.03	4.04	1677.35
47 Breweries, Pubs & Rest.(24)	4236.49	+0.1	4230.78	4279.93	3303.70	2.83	2.29	2.37	18.62	30.19	2157.00
48 Support Services(62)	5060.81	+0.2	5051.90	5008.68	3057.04	1.18	1.00	2.58	41.37	25.20	3333.86
49 Transport(25)	3773.11	----	3771.80	3788.66	2832.43	2.72	2.22	1.31	35.08	25.93	1676.44
60 UTILITIES(23)	3784.84	+0.6	3763.46	3794.94	2819.70	4.14	3.41	1.89	15.99	14.30	1788.63
62 Electricity(9)	4254.37	+0.2	4245.30	4265.29	3137.98	4.45	3.75	2.25	12.48	7.28	2454.53
64 Gas Distribution(2)	2901.49	+0.6	2885.40	2922.45	1778.13	2.24	1.80	‡	‡	26.03	1676.98
68 Water(12)	3263.61	+1.3	3222.70	3259.63	2602.92	5.23	4.19	2.20	10.85	10.26	1982.23
69 NON-FINANCIALS(635)	2838.09	+0.4	2824.77	2858.71	2214.82	2.79	2.38	1.93	23.28	27.76	2305.42
70 FINANCIALS(109)	5398.57	+1.7	5310.74	5377.49	4297.94	2.96	2.44	2.34	18.06	80.27	2496.93
71 Banks, Retail(12)	7744.82	+1.9	7602.75	7724.36	6492.22	3.05	2.44	2.32	17.64	128.41	2714.78
73 Insurance(17)	2513.85	+2.4	2455.81	2489.75	1776.19	3.41	3.09	2.73	13.40	36.48	2070.06
74 Life Assurance(6)	6922.19	+1.9	6793.01	6958.45	4996.53	2.71	2.34	2.60	17.72	108.92	3093.01
77 Other Financial(26)	5003.02	−0.1	5005.85	5061.81	3221.90	2.20	1.80	2.25	25.26	59.08	3049.64
79 Property(46)	2332.10	+0.2	2327.50	2338.31	1959.55	3.78	2.30	1.46	30.66	11.41	1522.92
80 INVESTMENT TRUSTS(115)	4044.29	+0.3	4032.98	4049.68	3371.43	1.97	1.59	1.18	53.84	24.32	1470.30
89 FTSE All-Share(858)	2794.62	+0.7	2775.35	2808.43	2198.14	2.80	2.37	2.02	22.11	30.44	2530.47
105 FTSE All-Share ex IT(744)	2799.31	+0.7	2779.66	2813.43	2195.71	2.83	2.39	2.03	21.73	30.90	1304.10
Information Technology	1621.53	----	1621.22	1590.30	–	0.53	0.43	3.37	69.43	2.87	1624.97
FTSE Fledgling	1486.63	+0.2	1483.00	1477.31	1292.58	2.94	2.39	1.43	29.61	12.75	1643.87
FTSE Fledgling ex IT	1515.89	+0.3	1511.41	1503.83	1308.38	3.25	2.63	1.50	25.67	14.31	1692.69
FTSE AIM	1117.5	+0.1	1116.0	1108.2	1082.5	1.12	0.89	0.43	80.00†	3.58	1032.22

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	–	5865.0	5850.6	5876.6	5874.1	5886.2	5866.9	5874.2	5887.4	5895.6	5827.3
FTSE 250	–	5789.8	5792.3	5788.8	5788.7	5789.0	5787.1	5781.7	5794.6	5795.8	5786.8
FTSE 350	–	2851.6	2846.2	2855.9	2855.0	2858.8	2852.1	2855.4	2860.8	2864.1	2836.9
FTSE SmallCap	2754.81	2755.35	2756.26	2757.33	2758.29	2758.78	2759.31	2759.86	2759.82	2760.49	2754.77
FTSE All-Share	–	2789.23	2784.95	2793.26	2792.56	2796.97	2789.93	2793.01	2797.98	2800.93	2775.79

Time of FTSE 100 Day's high: 15:52:45 Day's low: 8:33:00. FTSE 100 1998 High: 6109.8 (06/04/98) Low: 5008.7 (12/01/98)
Time of FTSE All-Share Day's high: 15:53:00 Day's low: 8:33:00. FTSE All-Share 1998 High: 2947.10 (06/04/98) Low: 2369.32 (12/01/98)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	460	635	−1
AMVESCAP	273	661	+2
ASDA Group	10,300	184	+3¼
Abbey National	4,100	1085	+19
Alliance & Leicester	570	812½	+7½
Allied Domecq	4,100	615½	+8½
Assoc. Brit. Foods	571	540	+4
BAA	2,700	651	−8½
BAT Inds.	11,000	573	+7
BOC	1,300	941½	−12½
BG	2,800	331½	+¼
BP	6,900	865½	−8½
BSkyB	1,400	434	+¼
BT	6,100	640½	+6½
BTR	8,600	203	−3½
Bank of Scotland	2,600	700	+28
Barclays	8,200	1681	+7
Bass	1,000	1087	−8
Billiton	4,300	158½	−3½
Blue Circle	3,000	387½	+6½
Boots	644	947½	+7½
Brit. Aerospace	5,400	513	+11½
British Airways	2,700	627½	+5
British Energy	2,000	563½	+18¾
British Land	614	707	−3
British Steel	1,000	164	−½
Cable & Wireless	4,200	727	+17
Cadbury Schweppes	1,200	902	−5
Carlton Comms.	664	494	−2
Centrica	17,200	101½	+1½
Comm. Union	1,800	1057	+28
Compass	1,500	1140	+25
Diageo	4,800	738	+8½
EMI	4,200	558	+4
Energy Group	1,800	849½	+¼
Enterprise Oil	498	563	−8
Foreign & Col. I T	488	205½	+¼
Gen. Accident	458	1378	+51
General Electric	8,200	378½	+17½
Glaxo Wellcome	2,800	1892	+18
Granada	2,400	1086	−14
GUS	831	849½	−19
GKN	3,600	785	+2
GRN	1,800	911	−5
HSBC (75p shs)	2,300	1663	+15
HSBC (HK$10)	1,200	1769	+11
Halifax	6,000	824	+32
Hays	411	1057½	+17½
ICI	2,300	1197	−17
Kingfisher	1,800	1085	−4
Ladbroke	2,800	350½	−7½
Land Securities	1,200	1022	+8
Legal & General	1,800	665½	+8
Lloyds TSB	22,300	864	+30½
LASMO	1,800	284	
LucasVarity	1,800	265½	+8
Marks & Spencer	10,500	576	−4
Mirror Group	392	239	−8
National Bank	6,200	1131	+3
National Grid	1,500	379	−3
National Power	1,800	560½	−7½
NatWest	13,000	1131	+3
Northern Rock†	2,300	558	−8½
Norwich Union	17,500	451½	+5
Nycomed Amersham	147	2084	
Nycomed Amer NV	7	1991	−18
Orange	876	444	+1
Pearson	4,800	1036	+8¼
P & O	1,300	877	
PowerGen	723	782	−18
Provident Financial†	240	855	+45
Prudential	4,400	803½	+15
RMC†	58	1135½	−30½
Railtrack	812	1102½	+25
Rank Group	683	360½	+5½
Reckitt & Colman	357	1167	+7
Reed Intl.	6,500	569½	+9½
Rentokil Initial	7,200	360	−1
Reuters	2,700	680	−5
Rio Tinto	2,300	824	+28
Rolls Royce	2,800	284	−3½
Royal & Sun Alliance	18,100	654	+15
Royal Bank Scotland	4,100	891½	+6
Safeway	2,000	372	
Sainsbury	11,900	515½	+34½
Schroders	61	1837	−8
Schroders NV	8	1835	−4
Scottish & Newcastle	1,200	894	+2
Scottish Power	775	537½	−2½
Severn Trent	1,000	945	+7
Shell Transport	10,800	451½	−1½
Siebe	827	1480	+1½
SmithKline Beecham	10,700	688½	+5
Smiths Inds.	276	862	−3
Southern Electric	1,200	538	+8
Standard Chartered	2,600	767	+5
Sun Life & Provincial	1,100	563½	+15½
TI Group	3,800	537	+8
Tesco	4,700	524	+4
Thames Water	270	949	+17
Tomkins	1,800	351½	+8
Unilever	11,200	684	+5
Utd. News & Media	4,200	843	+14
United Utilities	2,400	826½	+3½
Vodafone	7,700	647½	+8
Whitbread	1,700	985	+5
Williams	2,300	431½	+8½
Wolseley	1,800	469½	+3
Woolwich	3,100	345½	+12
Zeneca	816	2657	+53

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 Index reserve. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 19 / Sch)

		+/-	High	Low	Yld	P/E
AusAir	448.86	+6.80	480	184.30	1.1	17.3
ATabak	800	+4	818	517	3.8	11.4
BWT	2,434	-55.50	2,629	1,580	1.2	21.5
BkAust	1,071	+16	1,071	601	1.3	15.1
BkAuPt	1,103	+24	1,103	380.20	1.3	–
BUAG	944	-20	1,085	820	2.8	70.5
BauUn	789	-1	911	585	3.0	13.7
EA Gen	4,300	+20	4,570	2,700	0.4	36.8
EVN	1,828.50	+16.50	2,002	1,207	1.4	17.6
ErstBk	780xr	+10	885	611.50	2.1	–
Jenbac	600	...	680	294	3.3	20.7
Lenzng	915	+8	945	800	–	–
Leykam	305	-5	355	209	–	–
Mayr-M	895	-5	932	585	1.9	16.4
OMV	1,948	+18	1,953	1,391	1.2	28.7
Oest B	785	+8	880	585	2.4	15.0
OeElkA	1,483	-16.80	1,620	840.50	1.1	37.9
RadexH	680	-10	690	412	2.4	13.9
SteyrD	380	+1	404	245	1.6	–
Unic B	412	-3	463	400	1.5	73.8
VA Tec	1,706.50	-13.50	2,735	1,619	1.8	18.6
VoeAlp	609.50	+18.60	630	461	1.3	21.3
VA Stl	525	+13	653.40	420	2.3	10.3
WStdPf	1,732	-31	1,865	950	1.7	–
Wienbg	2,927	+8	3,045	2,210	1.6	21.2

BELGIUM/LUXEMBOURG (May 19 / Frs.)

CZECH REP (May 19 / Koruna)

DENMARK (May 19 / Kr)

FINLAND (May 19 / Mka)

FRANCE (May 19 / Frs.)

GERMANY (May 19 / Dm.)

GREECE (May 19 / Drachma)

ITALY (May 19 / Lire)

NETHERLANDS (May 19 / Fls.)

NORWAY (May 19 / Kroner)

POLAND (May 19 / Zloty)

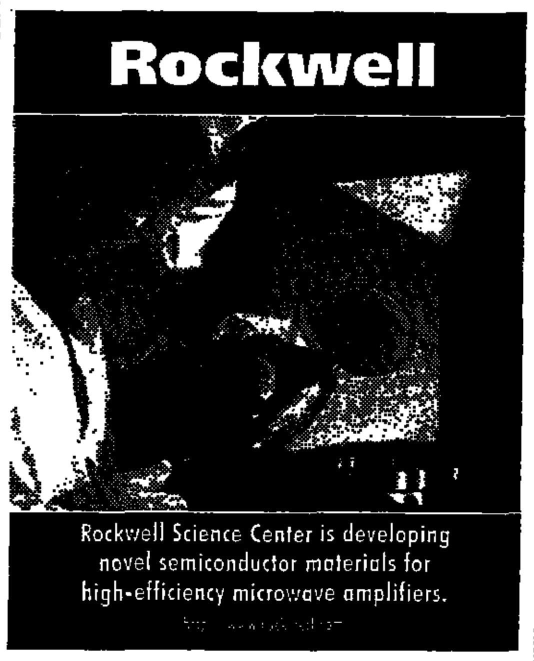
PORTUGAL (May 19 / Escudo)

SPAIN (May 19 / Pta.)

SWEDEN (May 19 / Kronor)

SWITZERLAND (May 19 / Frs.)

TURKEY (May 18 / Tk Lira)



PACIFIC

JAPAN (May 19 / Yen)

AUSTRALIA (May 19 / Aust$)

HONG KONG (May 19 / H.K.$)

INDONESIA (May 19 / Rupiah)

MALAYSIA (May 19 / MYR)

NEW ZEALAND (May 19 / NZ $)

SINGAPORE (May 19 / S$)

SOUTH KOREA (May 19 / Won)

TAIWAN (May 19 / TW $)

THAILAND (May 19 / Baht)

AFRICA

SOUTH AFRICA (May 19 / Rand)

AMERICAS

CANADA

TORONTO (May 19 / Can $)
4 pm close

MONTREAL (May 19 / Can $)
4 pm close

MEXICO (May 19 / Peso)
12.30 pm

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY MAY 18 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY MAY 15 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	197.24	-2.3	180.37	169.70	183.47	211.20	-1.3	3.73	201.97	183.76	171.18	187.05	214.07	243.87	190.26	231.22
Austria (23)	241.17	0.6	220.54	207.49	224.33	224.22	1.0	1.47	239.82	218.21	203.26	222.11	221.98	242.41	181.60	191.58
Belgium (26)	337.78	-0.4	308.88	290.61	314.19	307.71	0.1	2.35	339.05	308.49	287.36	314.00	307.34	339.05	234.33	248.94
Brazil (26)	223.61	-5.9	204.48	192.39	208.00	472.15	-5.8	2.15	237.58	216.17	201.36	220.03	501.48	322.44	184.94	254.82
Canada (120)	243.54	-0.2	222.71	209.53	226.53	256.22	0.0	1.57	243.92	221.94	206.73	225.90	256.22	248.78	199.10	201.77
Denmark (34)	491.62	0.2	449.57	422.98	457.30	455.65	0.7	1.33	490.49	446.28	415.71	454.26	452.59	521.81	375.32	389.62
Finland (28)	427.62	-2.1	391.04	367.91	397.77	488.03	-1.6	1.87	436.63	397.27	370.06	404.37	496.07	451.12	267.45	273.12
France (79)	312.54	-1.6	285.80	268.90	290.72	294.28	-1.1	2.00	317.62	288.99	269.19	294.16	297.69	319.93	213.42	232.34
Germany (56)	286.11	-1.4	261.64	246.16	266.14	266.14	-1.0	1.24	290.33	264.16	246.06	268.88	268.88	290.93	204.89	213.45
Greece (37)	280.14	0.9	256.17	241.02	260.58	621.53	1.3	1.49	277.74	252.71	235.40	257.22	613.54	298.79	264.68	–
Hong Kong, China (66)	285.56	-0.9	261.13	245.69	265.62	284.11	-0.9	5.59	288.14	262.17	244.21	266.85	286.63	580.03	282.93	497.23
Indonesia (27)	27.26	-15.1	24.93	23.45	25.36	206.52	-3.1	3.42	32.09	29.20	27.20	29.72	213.10	254.90	27.26	224.51
Ireland (16)	530.45	-2.1	485.07	456.38	493.41	531.20	-1.5	1.83	541.76	492.92	459.16	501.74	539.32	560.44	336.68	350.96
Italy (54)	158.83	-4.0	145.24	136.65	147.74	209.28	-3.6	1.34	165.46	150.55	140.23	153.24	217.05	177.15	86.93	91.52
Japan (480)	92.82	-1.3	84.88	79.86	86.34	79.86	0.2	0.99	94.01	85.54	79.68	87.07	79.68	141.12	88.52	133.40
Malaysia (107)	156.18	-5.9	142.82	134.37	145.28	230.83	-3.6	3.00	165.99	151.03	140.68	153.73	239.34	541.84	113.56	512.95
Mexico (29)	1541.61	-2.8	1409.73	1326.35	1433.97	14387.33	-2.7	1.66	1585.75	1442.81	1343.98	1468.60	14760.47	1901.98	1400.73	1400.73
Netherlands (19)	501.96	-1.7	459.02	431.87	466.91	461.89	-1.3	2.00	510.76	464.72	432.88	473.02	468.03	521.95	368.99	372.28
New Zealand (14)	68.46	-1.0	62.60	58.90	63.68	68.29	-0.3	4.78	69.14	62.91	58.60	64.03	68.51	96.47	68.46	87.92
Norway (38)	330.12	-1.6	301.88	284.02	307.07	337.29	-1.1	1.86	335.65	305.40	284.48	310.86	341.02	374.84	281.62	303.87
Philippines (22)	91.30	0.5	83.49	78.55	84.93	180.32	0.2	1.15	90.82	82.63	76.97	84.11	179.91	173.10	57.54	153.70
Portugal (18)	276.07	-1.0	252.46	237.52	256.80	346.56	-0.5	1.09	278.86	253.72	236.34	258.26	348.35	299.39	276.07	–
Singapore (42)	176.86	-3.4	161.73	152.16	164.51	134.75	-2.7	2.25	183.06	166.56	155.15	169.54	138.44	401.75	144.01	386.35
South Africa (43)	315.44	-0.3	288.46	271.40	293.42	351.59	0.0	2.58	316.41	287.89	268.17	293.04	351.53	384.24	227.66	359.37
Spain (31)	371.87	-1.0	340.06	319.95	345.91	428.17	-0.5	1.70	375.62	341.77	318.35	347.87	430.19	396.69	236.28	247.51
Sweden (49)	585.14	-1.7	535.08	503.43	544.28	675.70	-0.9	1.73	595.36	541.69	504.59	551.38	682.06	612.15	439.98	451.26
Switzerland (30)	393.25	-2.4	359.61	338.34	365.79	363.02	-1.9	1.11	402.87	366.56	341.45	373.11	369.90	410.80	285.85	293.62
Thailand (39)	22.10	-4.9	20.21	19.02	20.56	33.80	-3.6	8.28	23.23	21.14	19.69	21.52	35.06	69.09	13.10	59.76
United Kingdom (208)	373.02	-1.9	341.11	320.94	346.98	341.11	-1.4	2.88	380.21	345.94	322.24	352.12	345.94	401.84	293.10	302.96
USA (635)	451.76	-0.3	413.12	388.68	420.22	451.76	-0.3	1.42	453.08	412.24	384.00	419.61	453.08	462.18	335.79	335.79
Americas (810)	408.73	-0.4	373.77	351.66	380.19	345.48	-0.3	1.44	410.21	373.23	347.66	379.90	346.69	418.95	307.27	307.27
Europe (748)	349.78	-1.8	319.84	300.93	325.34	332.80	-1.3	2.02	356.29	324.17	301.97	329.97	337.33	363.50	256.75	263.79
Eurobloc (352)	100.29	-1.8	103.07	102.60	100.85	100.90	-1.3	1.88	102.10	104.40	102.89	102.22	102.25	103.10	100.00	–
Nordic (149)	511.87	-1.5	468.08	440.40	476.13	518.50	-0.8	1.71	519.59	472.75	440.37	481.20	522.84	538.58	386.48	390.61
Pacific Basin (869)	100.80	-1.5	92.18	86.73	93.77	87.31	-0.1	1.71	102.32	93.09	86.72	94.76	87.43	159.99	95.32	150.79
Euro-Pacific (1617)	204.58	-1.7	187.08	176.01	190.29	179.79	-1.0	1.93	208.18	189.41	176.44	192.80	181.80	216.04	172.03	197.93
North America (755)	438.52	-0.3	401.01	377.29	407.91	438.66	-0.3	1.48	439.77	400.13	372.72	407.29	439.88	448.81	327.60	327.60
Europe Ex. UK (540)	326.49	-1.8	298.56	280.90	303.70	318.56	-1.3	1.60	332.48	302.51	281.79	307.92	322.81	336.80	230.16	236.84
Europe Ex. Eurobloc (396)	96.35	-1.9	99.01	98.56	96.88	98.23	-1.4	2.36	98.20	100.41	98.96	98.32	99.59	100.97	96.35	–
Europe Ex. UK Ex. Eurobloc (188)	99.32	-1.9	102.06	101.60	99.87	99.71	-1.3	1.34	101.23	103.51	102.02	101.35	101.02	103.67	99.32	–
Pacific Ex. Japan (389)	176.11	-2.2	161.04	151.52	163.81	181.43	-1.4	4.34	180.14	163.90	152.67	166.83	184.07	318.98	161.31	301.91
World Ex. Eurobloc (2118)	97.54	-0.8	89.20	83.92	90.73	98.33	-0.5	1.66	98.35	89.48	83.35	91.08	98.83	100.18	97.54	–
World Ex. US (1835)	208.48	-1.7	190.64	179.37	193.92	187.12	-1.0	1.92	212.06	192.94	179.73	196.39	189.01	220.18	175.30	200.99
World Ex. UK (2262)	278.72	-0.9	254.88	239.80	259.26	255.76	-0.8	1.52	281.15	255.81	238.29	260.38	257.17	287.02	234.24	238.08
World Ex. Japan (1990)	383.13	-0.9	350.35	329.63	356.39	377.80	-0.7	1.74	386.76	351.90	327.79	358.19	380.59	394.38	300.22	300.40
The World Index (2470)	288.75	-1.0	262.22	246.71	268.73	263.51	-0.6	1.86	289.57	263.47	245.42	268.18	265.20	296.57	241.30	243.61

Emerging markets: IFC investable indices

Dollar terms

May 18 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	1,026.33	-4.5	-8.6
Brazil	443.74	-5.7	-6.1
Chile	559.38	-0.9	-13.1
Colombia	599.58	-0.9	-27.3
Mexico	673.33	-2.7	-14.6
Peru	213.65	-1.9	-3.4
Venezuela	655.73	-3.4	-38.3
East Asia			
China	42.59	-0.6	-23.8
Korea	78.35	+1.9	+18.9
Philippines	129.95	+0.3	+16.3
Taiwan, China	135.08	-1.7	-4.2
South Asia			
India	89.45	+1.7	+3.7
Indonesia	13.55	-17.5	-59.7
Malaysia	68.44	-5.8	-5.9
Pakistan	179.75	-4.7	-27.8
Sri Lanka	125.69	+1.5	+7.5
Thailand	58.55	-4.3	+24.5
Europe/Mideast/Africa			
Czech Rep	54.88	-4.4	-1.2
Egypt	84.20	-0.7	-9.7
Greece	589.85	+0.8	+57.1
Hungary	316.38	-4.9	+8.5
Israel	120.39	-0.3	+6.2
Jordan	235.86	+2.1	+12.1
Morocco	165.33	-0.3	+27.7
Poland	752.97	-1.6	+26.1
Portugal	307.43	-0.9	+45.7
Russia	84.87	-12.7	-42.9
S Africa	222.49	-0.2	+23.8
Slovakia	67.78	-2.6	-31.8
Turkey	282.71	-4.6	-9.4
Zimbabwe	227.96	-0.3	-11.4
Regional			
Composite	239.34	-2.8	-2.7
Latin America	565.43	-3.5	-12.1
Asia	161.54	-2.8	-5.8
EMEA	163.38	-2.8	+10.6
Europe	162.45	-3.8	+2.1
E. Europe	185.80	-8.1	-24.6
ME & Africa	85.37	-0.2	+19.3

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Oct 31 1992; (3)Jan 5 1993; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

NEW YORK STOCK EXCHANGE PRICES

4 pm close May 19

- A -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chge Prev. Close
[illegible]	[illegible]	AAR x	0.34	1.2	23	406	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	AMP x	1.08	3.0	17	11378	[illegible]	[illegible]	[illegible]	
163	121	AMR			11	9508	[illegible]	145	[illegible]	
[illegible]	[illegible]	ASA	0.80	3.3	15	438	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	AbbotL	1.20	1.6	27	12845	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	AbtBI	0.40	2.7	7	1152	[illegible]	[illegible]	[illegible]	
37	[illegible]	ABM Ind	0.48	1.7	22	530	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	Acptecalo			11	247	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	ACE Ltd	0.32	0.9	10	2867	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	ACM Gvt In x	0.90	8.3	11	361	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	ACM OpOp x	0.63	7.8		49	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	ACM Man x	0.90	9.1		176	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	Acme Elect			26	13	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	Acme Mills				222	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	ACNielsen			35	1156	[illegible]	[illegible]	28	
[illegible]	[illegible]	Acxson			45	348	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	Adams Exp x	0.55	2.0	1	119	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	AdvMic				11904	[illegible]	[illegible]	[illegible]	
[illegible]	21	Advest Grp	0.12	0.4	20	103	[illegible]	[illegible]	[illegible]	
[illegible]	19	Advo Inc			20	427	[illegible]	[illegible]	28	
[illegible]	[illegible]	Aegon x	1.53	1.1	35	380	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	Aeroflx				1023	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	Aequ-V x	0.88	1.3	19	1180	[illegible]	[illegible]	[illegible]	
58	[illegible]	AES Corp			45	3300	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	Aetna	0.80	1.0	15	9657	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	AffCom			31	1357	[illegible]	[illegible]	[illegible]	
60	[illegible]	Aflac x	0.52	0.8	13	2155	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	AGCO x	0.04	0.1	9	5134	[illegible]	27	[illegible]	
[illegible]	[illegible]	AGL Res x	1.08	5.5	16	358	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	Ahmanson x	0.88	1.1	18	4808	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	AirPrC	1.36	1.6	18	2410	88	87	[illegible]	
[illegible]	[illegible]	Airbee Frt x	0.16	0.4	6	2828	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	Airgas			29	1731	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	AirTouch	1.64	12.9	10	41	[illegible]	[illegible]	[illegible]	

- X - Y - Z -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chge Prev. Close
115	[illegible]	Xerox	1.44	1.3	24	4484	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Xtra Corp x	0.88	1.5	16	306	58	[illegible]	58	[illegible]
[illegible]	[illegible]	Yankee Egy	1.34	5.8	19	164	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	York Int	0.48	0.9	45	727	[illegible]	50	[illegible]	[illegible]
[illegible]	[illegible]	Zapata	0.28	2.5	28	103	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	ZenithEl				17064	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zenith Nat	1.00	3.5	18	33	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zenix Inc	0.73	9.8		69	[illegible]	[illegible]	[illegible]	
[illegible]	25	Zurn x	0.12	0.4	17	180	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	ZweigFd	1.32	10.7		807	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zweig Totl x	0.84	8.7		1742	[illegible]	[illegible]	[illegible]	[illegible]

Price data supplied by Extel part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

FT Free Annual Reports Club

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-32 0-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http:// www.icbinc.com/cgi-bin/ft.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	May 18	May 15	May 14	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9050.91	9096.00	9172.23	9211.84 (13/5)	7580.42 (9/1)	9211.84 (13/5/98)	41.22 (8/7/32)
Home Bonds	104.89	104.70	104.84	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.98 (1/10/81)
Transport	3367.21	3424.73	3459.81	3686.02 (16/4)	3194.36 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	279.43	279.92	279.11	291.18 (2/4)	262.66 (9/1)	291.18 (2/4/98)	16.53 (8/7/32)

DJ Ind. Day's high 9171.23 (9240.74) Low 8972.20 (9051.91) (Theoretical‡)
Day's high 9126.09 (9186.18) Low 9009.85 (9080.52) (Actual‡)

Standard and Poors	May 18	May 15	May 14	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1105.82	1108.73	1117.37	1130.54 (22/4)	927.69 (9/1)	1130.54 (22/4/98)	4.40 (1/6/32)
Industrials¶	1291.70	1294.55	1308.20	1311.46 (22/4)	1077.40 (9/1)	1311.46 (22/4/98)	3.52 (30/6/32)
Financial¶	133.11	133.60	133.22	140.63 (14/4)	110.65 (9/1)	140.63 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	572.08	574.40	578.31	585.62 (22/4)	487.47 (9/1)	585.62 (22/4/98)	4.64 (25/4/42)
Amex Comp	732.36	737.09	741.38	753.67 (22/4)	646.41 (12/1)	753.67 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	1831.62	1846.77	1865.35	1917.81 (22/4)	1503.22 (9/1)	1917.81 (22/4/98)	54.87 (3/10/74)
Russell 2000	467.61	472.44	475.55	491.41 (21/4)	410.89 (12/1)	491.41 (21/4/98)	123.36 (7/12/93)

■ RATIOS

	May 15	May 8	May 1	Year ago
Dow Jones Ind. Div. Yield	1.56	1.56	1.54	1.71
	May 13	May 6	Apr 29	Year ago
S & P Ind. Div. yield	1.30	1.33	1.35	1.72
S & P Ind. P/E ratio	31.08	30.66	30.29	23.33

US DATA

■ MARKET ACTIVITY

● Volume (million)	May 18	May 15	May 14
NYSE	520.010	621.990	578.300
Amex	22.146	24.059	24.160
NASDAQ	695.482	771.041	752.077

NYSE	May 18	May 15	May 14
Issues Traded	3,492	3,472	3,519
Rises	932	1,104	1,239
Falls	2,036	1,746	1,691
Unchanged	524	622	595
New Highs	43	65	80
New Lows	76	47	42

■ NYSE TRADING ACTIVITY — Volume : 520,010,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Compaq	10,595,000	29¾	−1
OffDep	6,550,400	31¼	−3⅝
Cendnt	6,542,000	23	−1⅛
PhMorr	6,072,800	35¾	−⅛
HewPac	5,211,800	66	−3⅜
Telebras	5,186,500	108¼	−8¼
Pfizer	4,172,700	110⅞	+6¼
Pepsico	3,988,500	37⅞	+⅛
BayNtwks	3,875,300	28¼	−⅛
Lilly	3,519,700	68⅝	+1¼

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
ScheringP	84	+6⅞	+8.8
MercSt	79⅝	+5¼	+7.2
TCBY Enter	10¼	+⅝	+6.6
FstLfFin	11¼	+⅞	+6.5
Downs			
NDC Hldgs	13¼	−2⅞	−17.1
OffDep	31¼	−3⅝	−9.8
RMI Ti	20¼	−1⅝	−7.4
Telebras	108¼	−8¼	−7.2

■ NASDAQ TRADING ACTIVITY — Volume :695,482,000

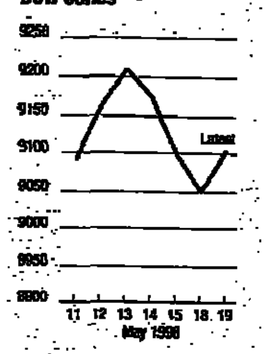
■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
DellCmp	24,127,100	94½	+4½
Micsft	20,174,100	86¼	−3⅛
VlkngOff	73,181,400	29⅞	+5⅞
Intel	11,089,300	79⅝	−⅞
CiscoSys	7,457,800	77¾	+1⅛
WrldCm	6,444,600	44¼	+½
3Com	6,183,600	29¼	−⅞
Netscp	6,122,500	27¼	−⅞
Oracle	5,463,400	25⅞	−⅛
AscendCom	5,311,200	44¼	−½

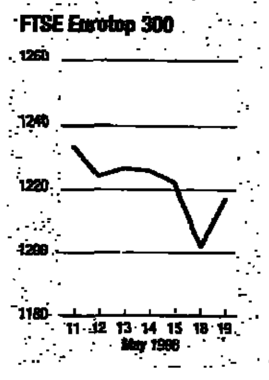
■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
VlkngOff	29⅞	+5⅞	+24.5
Biogen	47⅝	+3⅝	+8.2
Prinrgal	15⅝	+1⅛	+7.8
Spyglass	11¼	+⅞	+7.6
Downs			
Playcor	17⅞	−2⅛	−10.4
GalileoTch	24¾	−2⅞	−10.2
CntrlEuro	24⅝	−2⅞	−9.8
Lndr Furn	27¾	−2¾	−9.2

Dow Jones



FTSE Eurotop 300



JAPAN

	May 19	May 18	May 15	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	15551.65	15384.47	15242.86	17264.34	14664.44	38915.9	85.25

Day's high: 15582.87. Day's low: 15309.19.

■ TOKYO TRADING ACTIVITY — Volume : 347,808,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Np Steel Cp	8,270,000	223	+8
Nissan Mtr	8,241,000	457	−1
Sakura Bk	7,468,000	437	+38
Stomo Mtl Ind	4,822,000	228	+3
Ishiowa Sein	4,663,000	229	+24
Hitachi	4,501,000	1009	+9
Mitsui T & B	4,167,000	311	+5
Kirin Brew	4,103,000	1300	+88
Bk Tk-Mitsbhi	3,742,000	1530	+26
Np Credit Bk	3,644,000	132	+4

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Fuji & Co	162	+28	+19.1
Mitsui E&S B	105	+15	+16.7
Np Dry-Chm	695	+74	+11.8
Ishiowa Sein	229	+24	+11.7
First Baking	207	+21	+11.3
Kawasho Cp	168	+17	+11.3
Downs			
Nichimo	131	−19	−12.7
Riken Keiki	463	−35	−7

FRANCE

	May 19	May 18	May 15	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3980.84	3945.31	3980.23	4010.76	2862.54	4010.76	984.61

Day's high: 3991.02. Day's low: 3944.88.

■ PARIS TRADING ACTIVITY — Volume : 735,765,150

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Total B	3,023,892	748.0	−21.0
Elf Aquit	2,778,039	850.0	−14.0
Rhone-Poul	2,748,492	303.8	+5.4
France Tel	2,378,530	335.0	+15.5
Lagardere	1,987,356	242.1	+8.0
Bqe Nt Paris	1,834,743	508.0	+8.5
Danone	1,220,751	1525.0	+19.0
Bull	1,214,146	80.0	
Lafarge	1,071,580	593.0	+8.0
Lyonn Eaux	1,022,935	1039.0	+25.0

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Mecatec	115.2	+23.2	+25.2
Baccarat	980.0	+85.0	+10.4
Cerg Finance	771.0	+71.0	+10.1
Fidel Cie Fin	56.2	+5.1	+10.0
Downs			
Tie les Mesg	90.0	−13.9	−13.4
GTMH	72.0	−7.0	−9.0
Bq Transatlnt	270.1	−21.9	−7.5
Finacor	35.2	−2.8	−7.4

GERMANY

	May 19	May 18	May 15	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5388.90	5342.65	5393.14	5442.00	4087.28	5442	931.18

Day's high: 5395.70. Day's low: 5378.37.

■ FRANKFURT TRADING ACTIVITY — Volume : 12,239,362

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Deutsche Tel	786,605	47.6	+0.8
BASF	678,594	79.85	−0.75
Commerzbank	623,438	68.95	−0.15
Daimler-Benz	581,171	192.1	+1.4
Hoechst	441,514	80.85	−0.8
Siemens	414,080	118.8	+1.1
Deutsche Bnk	342,873	155.25	+0.75
Bayer	321,698	80.65	+1.9
Veba	301,450	119.7	+3.2
RWE	300,912	93.2	+3.75

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Babcock Bau	127.5	+19.5	+18.1
Gauz	92.0	+12.0	+15.0
Deutsche Bab	126.5	+9.5	+8.1
VBH Hldgs	37.0	+2.5	+7.2
Downs			
Strabag NV	155.0	−12.0	−7.2
Friatec	51.0	−3.0	−5.6
KSB Stmz NV	540.0	−30.0	−5.3
Berlin Elek NV	39.8	−2.0	−4.8

UK

	May 19	May 18	May 15	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5877.8	5826.2	5917.8	6105.80	5068.80	6105.8	986.9

Day's high: 5895.6. Day's low: 5826.2.

■ LONDON TRADING ACTIVITY — Volume : 855,080,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Thomson Trvl	24,544,570	193½	−2
Lloyds TSB	22,287,020	884	+30½
Centrica	17,218,720	101¼	+1¼
RylSun Allnce	16,101,990	654	+15
Tarmac	13,289,880	129¾	+3¼
Next	12,982,900	521	+33½
Sainsbury J	11,923,890	515½	+34½
BAT Inds.	11,870,840	573	+7
Unilever	11,198,440	684	+8½
Shell T&T	10,771,110	451½	+7

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
BS Grp	500	+154	+44.5
Recog Sys	22¾	+5½	+31.9
Surrey Grp	1¼	+¼	+25.0
Tunstall Grp	159	+30	+23.3
Airtech	67½	+12	+21.6
Downs			
Reflex Grp	5½	−3	−35.3
Shani Grp	54½	−12	−18.1
Saltire	24½	−3½	−12.5

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	1108.50	1112.90	+4.60	1113.50	1107.40	97,014	335,857
Sep	0	1120.50	–	–	1114.50	3,427	19,929
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	15330.0	15660.0	+270.0	15690.0	15280.0	25,185	201,115
Sep	15370.0	15850.0	+280.0	15850.0	15330.0	167	13,005

Open interest figures for previous day.

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	3978.0	3977.0	+47.0	3980.0	3974.0	535	35,957
Jun	3956.5	3957.0	+47.0	3956.5	3956.5	1,041	21,857
■ DAX							
Jun	5371.0	5443.5	+99.5	5452.0	5361.5	18,805	123,808
Sep	5418.0	5490.5	+103.0	5494.0	5414.5	479	17,775

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	754.00	762.00	+9.50	762.25	747.00	44,661	59,656
Jun	757.50	765.75	+9.50	766.00	757.50	38,197	90,413
■ SOFFEX							
Jun	7380.0	7474.9	+143.0	7478.0	7378.0	3,456	19,437
Jul	7410.7	7477.5	+63.4	7410.7	7410.7	19	2,692

WORLD MARKETS AT A GLANCE

Country	Index	May 19	May 18	May 15	1998 High	1998 Low	Yield	P/E
Argentina	General	21656.63	21574.67	22463.14	23485.47 23/3	18237.48 2/1	3.0	18.6
Australia	All Ordinaries	2742.0	2733.3	2765.6	2881.40 16/4	2542.49 12/1	3.4	19.7
	All Mining	540.3	844.2	853.0	713.19 23/4	552.20 13/1		

Banks drove the main index higher while in the broader market declines beat advances by over 3 to 2.

Country	Index	May 19	May 18	May 15	1998 High	1998 Low	Yield	P/E
Hungary	Bux	7911.36	7829.73	8139.63	8016.36 23/4	7280.78 12/1	na	na

Russian rally lifted shares.

Country	Index	May 19	May 18	May 15	1998 High	1998 Low	Yield	P/E
India	BSE Sens.	3924.42	3908.48	3849.80	4280.96 21/4	3289.55 28/1		
	Crisil 500	751.82	745.85	730.22	815.82 21/4	594.38 29/1	na	na

Shares ended marginally higher as investors squared books on last day of the account.

Country	Index	May 19	May 18	May 15	1998 High	1998 Low	Yield	P/E
Portugal	BVL 30	5712.13	5563.75	5572.15	6178.88 22/4	3678.27 2/1	1.3	13.6
	PSI 20	13089.99	12733.67	12790.78	14282.99 22/4	8031.84 2/1		
Russia	RTS	238.58	227.61	258.10	411.81 5/1	227.81 18/5	na	na

Shares rallied as central bank sent official market rates up to 50 per cent.

[illegible]

THE NASDAQ STOCK MARKET

4 pm close May 19

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

4 pm close May 19

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Bourses positive as eastern storms ease

WORLD OVERVIEW

By Simon Davies

A rousing speech from President Suharto of Indonesia and dramatic interest rate increases in Russia shored up confidence in the emerging markets yesterday.

The Indonesian stock market rallied strongly, with the Jakarta composite index climbing 6.4 per cent following President Suharto's loose commitment to new elections in which he will not *participate.*

However, volume remained extremely thin, reflecting continuing nervousness. The lack of a firm timetable for his retirement, along with concerns over his potential successor, will encourage continuing volatility.

In Russia, the other great casualty of recent weeks, a 20 percentage point interest rate increase supported the currency and the stock market's RTS index recovered *almost 4 per cent.*

With Japanese and Hong Kong equities also moving higher, there was an extremely positive backdrop for world equities. The US government assault on Microsoft did little to dent global investor confidence.

There was some uncertainty preceding last night's announcement on US interest rates, but given the strong consensus that rates would be left unchanged, most stock markets moved *higher.*

Germany's Xetra Dax hit both intraday and all-time highs yesterday, with few domestic issues to drive the market except for relief at the apparent stabilisation of market turmoil in the east.

The FTSE Eurotop 100 index gained 1.29 per cent on a relieved rally among blue-chip European stocks.

James Montier, global strategist at BT Alex Brown, said: "The market is running ahead of itself in thinking the problems in Indonesia are over, but there are large flows of funds coming into these markets." He argued that there was a significant earnings risk at current stock market valuations.

However, Goldman Sachs is continuing in its bullish stance, projecting 10 per cent growth in global equities over the next 12 months in its latest world investment strategy report.

It argues that while valuations are high, they are justified by current high returns on capital relative to the cost of capital.

It is projecting the greatest increases from Asia, excluding Japan, with a forecast 63 per cent increase in Thailand, 43 per cent in Hong Kong and 30 per cent in Singapore.

The report says: "In terms of relative market valuation, European markets such as Spain and Sweden look more attractive than the US."

Dow rises as interest rate fears subside

AMERICAS

A broad-based rally lifted share prices on Wall Street as the market rebounded from the declines of recent sessions, *writes Richard Waters in New York.*

The market's bounce also reflected a belief that the Federal Reserve's open market committee, meeting yesterday, would decide to leave short-term interest rates unchanged – which proved to be the case.

The Dow Jones Industrial Average was trading at 9,062.37 by mid-afternoon, a rise of 11.46. The Standard & Poor's 500 index shadowed this rise, climbing 2.72 to 1,108.54. The Nasdaq composite rose 3.57 or 0.8 per cent to 471.31.

Technology stocks registered some of the biggest advances, with International Business Machines rising \$2 1/16 to \$126 11/16 and Dell jumping \$1 3/4 to \$96 3/4.

In early trading, Microsoft recovered some of the losses suffered the day before on news of the Justice Department's antitrust action. By early afternoon, however, the \$7/8 gain had largely been erased.

Netscape, which could benefit from the Justice Department's move, rose \$1 1/16 or 3.9 per cent to \$28 5/16.

Technology stocks were the most actively traded on the New York Stock Exchange, led by Compaq, which gained 11/16 to \$30 1/4, and Hewlett-Packard, which rose 3/16 to \$66 1/16.

Internet provider America Online's announcement of a new venture in digital photography with Eastman Kodak also fuelled heavy trading, with its shares climbing \$3 to \$96 1/2.

Among stocks in the Dow, DuPont's shares jumped \$3 1/4 or nearly 4 per cent to \$83 7/8, after the company announced that it would buy out Merck's share in a joint venture between the two companies. Merck, another Dow stock, gained \$1 1/4, to \$121 1/16.

Other drug companies also rose. Both American Home Products and Warner-Lambert touched new record highs, with AHP up \$1 1/2 to \$50 1/16 and Warner-Lambert climbing \$3 1/2 to \$197 5/16.

Giant Foods, a supermarket chain, surged nearly 14 per cent on news of a takeover offer from Ahold, the Dutch retail group. The company's stock was \$5 3/16 higher at \$42 7/8.

TORONTO moved lower with weaker golds and base metals plus some high-profile profit-taking at Seagram counteracting the strong start on Wall Street. The 300 composite index was down 21.82 at 7,662.20 at noon.

Golds were unsettled by the softening bullion price and the heavyweight counters in the sector fell sharply. Barrick Gold came off 85 cents at C\$30.95 and Placer Dome fell just as precipitously, losing 50 cents to C\$20.10.

Seagram tumbled C\$3.10 to C\$59.15 as investors opted to pocket some of the profits racked up in recent sessions by hopes for a link with PolyGram of the Netherlands.

São Paulo rallies on cue

SAO PAULO rallied in early trading, taking its cue from the strong opening tone on Wall Street and the better performance within a number of emerging markets, notably Russia and Indonesia.

Market heavyweight Telebrás, which tumbled more than 7 per cent on Monday when fears for higher US interest rates were rife and shares in Moscow fell more than 11 per cent, rebounded 3.2 per cent to R\$128.

"For the moment all the devaluation scare stories that were doing the rounds yesterday have been put on hold," said one broker.

Among other blue chips, Petrobrás gained 1.2 per cent to R241 and Eletrobrás 1.7 per cent to R\$42.70.

At midsession, the benchmark Bovespa index was showing a gain of 193 or 1.9 per cent at 10,398.

MEXICO CITY made more modest upward progress with the IBC index up 23.03 at 4,669.54 at midsession. Telmex mostly stayed on the sidelines, ending the morning off 10 centavos to 21.70.

Fed hopes lift Dax to record

EUROPE

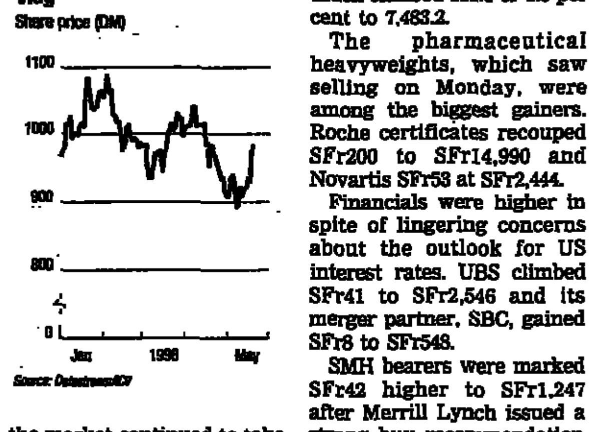
Early strength on Wall Street and a growing conviction that the Fed's open market committee would leave US interest rates unchanged sent **FRANKFURT** into record territory.

The Xetra Dax index peaked at an intra-day 5,446.03 before edging back in late electronic trade to close 97.34 or 1.8 per cent higher at a record 5,441.00.

Financials regained ground lost on Monday as concerns eased about political unrest in Indonesia.

Deutsche Bank put on DM4 to DM157.30, Dresdner Bank 95pfg to DM101.90 and Allianz DM20.60 to DM585.50.

RWE was an outperformer, rising DM5.10 to DM94.80 as the market continued to take a upbeat view on its nine-month results.



Viag rose DM32.10 to DM966.10 in response to slightly better than expected 1997 and first-quarter results.

BMW stood out among the motor stocks with a rise of DM86.60 to DM2,028.

PARIS climbed to within a whisker of 4,000 on the CAC 40 index before closing 35.53 higher at 3,980.84 in some of the best volume of the year with 27.3m shares changing hands.

Lagardère rose FFr8 to FFr242.10 following positive statements at the annual meeting, and France Telecom, the day's top performer, advanced FFr15.50 or 4.9 per cent to FFr335 in turnover of FFr785m.

Banks put aside Monday's worries about Asian exposure and a possible rise for US interest rates. BNP gained FFr9 to FFr508 and Société Générale FFr52 to FFr1,218. Danone added FFr19 to FFr1,525 on optimism from the annual meeting. News of a property disposal lifted Axa-UAP FFr17 to FFr699.

Oil tracked softer oil prices with Elf Aquitaine dipping *FFr14 to FFr850* and Total, where sentiment was not helped by news of plans for a temporary closure of Dutch refining capacity, shed FFr21 to FFr748.

ZURICH recovered after Monday's 2 per cent fall but activity was subdued as investors awaited news of US interest rates. The SMI index climbed 111.8 or 1.5 per cent to 7,483.2.

The pharmaceutical heavyweights, which saw selling on Monday, were among the biggest gainers. Roche certificates recouped SFr200 to SFr14,990 and Novartis SFr53 at SFr2,444.

Financials were higher in spite of lingering concerns about the outlook for US interest rates. UBS climbed SFr41 to SFr2,546 and its merger partner, SBC, gained SFr8 to SFr548.

SMH bearers were marked SFr42 higher to SFr1,247 after Merrill Lynch issued a strong buy recommendation on the stock and set a price target of SFr1,500.

AMSTERDAM pushed higher as concerns about US interest rates were put on hold and a number of strong corporate stories supported sentiment. The AEX index ended 25.83 better at 1,177.40.

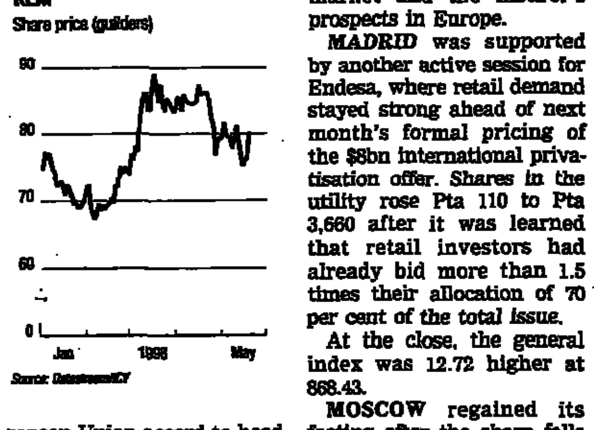
KLM surged Fl 3.30 to Fl 79.80 ahead of what are widely expected to be soaraway results today.

Ahold jumped Fl 3.70 or 5.7 per cent to Fl 68.50 after a major expansion of US interests. The group is bidding \$3bn for Giant Food, and Ahold yesterday combined the takeover news with an upbeat trading statement.

ASM Lithography rose Fl 2.70 to Fl 84 and rival techs group Baan gained Fl 2.40 to Fl 92.70. Steel giant Hoogovens was a dull feature, slipping Fl 2.30 to Fl 903.50.

MILAN rebounded almost 3 per cent, boosted by the gains on Wall Street as the FOMC meeting got underway. The real-time Mibtel index climbed 677 to 23,830.

Telecom Italia and ENI were boosted by the US-European Union accord to head off sanctions on trade with Cuba, Iran and Libya. Telecom Italia, which operates in Cuba, jumped L477 to L13,250 while ENI was L335 higher at L12,230.



Alitalia jumped L1,276 to L7,750 on the second day of its capital-raising exercise as investors continued buying a stock widely seen as having significant turnaround potential. The banks were stronger. Banca di Roma rose L96 to L3,670, calling a halt to its slide over the previous two sessions, which *followed disappointment* that no merger with BCI was planned. BCI was L328 higher at L10,005.

Generali jumped L2,091 to L54,900 as Morgan Stanley *recommended the stock and* set a price target of L65,000 based on the strength of the company in the domestic market and the insurer's prospects in Europe.

MADRID was supported by another active session for Endesa, where retail demand stayed strong ahead of next month's formal pricing of the \$8bn international privatisation offer. *Shares in the* utility rose Pta 110 to Pta 3,660 after it was learned that retail investors had already bid more than 1.5 times their allocation of 70 per cent *of the total issue.*

At the close, the general index was 12.72 higher at 868.43.

MOSCOW regained its footing after the sharp falls of the past week and the RTS index ended 8.97 higher at 236.58. The rebound came after the central bank stepped in to impose sharp rises in the key refinancing and Lombard rates, which calmed government securities and eased fears in the stock market.

Written and edited by Michael Morgan, Peter Hall, Jeffrey Brown, Paul Gregan

Golds fall in spite of surge

SOUTH AFRICA

The Dow's strong opening gave Johannesburg a late boost after the market had clung on to small gains for much of the session.

The overall index ended 0.5 per cent higher at 8,121.6 and financials also climbed 0.5 per cent to 9,867.6. Golds, weighed down by a weak bullion price, gave up 1.3 per cent to 1,023.5.

Gold Fields Coal was a big gainer, jumping R1.60 to R12 after Merrill Lynch upgraded its rating on the stock.

Jakarta soars after Suharto pledge

ASIA PACIFIC

A promise of new elections *and a pledge from President* Suharto that he would not run again sent **JAKARTA** 6.4 per cent higher.

However, the very low level of business tended to exaggerate price movements and indicated that many uncertainties remain.

The composite index rose 24.90 to 413.82 as hopes grew that the president's comments increased the likelihood that he would depart gracefully and without violence. Turnover of about Rp79bn was sharply down from the recent average of Rp300bn-Rp400bn.

Shares linked to the Suharto family were among the strongest gainers. Bimantara rose Rp125 to Rp425, Astra rose Rp100 to Rp100 and Cirta Marga was flat at Rp375.

TOKYO also received a significant boost from indications that President Suharto would step down, *writes Paul Abrahams.*

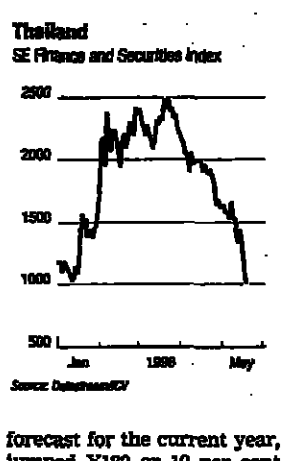
Banks and trading companies with exposure to Indonesia rebounded, helping the benchmark Nikkei 225 average to gain 167.18 or 1.1 per cent to 15,551.65, having traded between 15,582.67 and 15,309.19.

The recovery was broadly based, with the Topix index of all first-section stocks *gaining 10.7 or 0.8 per cent to* 1,219.86. The momentum was up, with 709 shares higher, 378 down and 155 unchanged. Volumes remained subdued, however, at 347m shares.

The banking sector gained 2.3 per cent. Sakura Bank gained Y28 at Y437, Bank of Tokyo Mitsubishi Y25 at Y1,530. Nippon Credit Bank Y4 to Y132, Sumitomo Bank Y33 to Y1,319 and LTCB Y8 to Y212. Among the trading companies, Tomen recovered Y4 to Y108, and Itochu Y8 to Y312, in spite of the latter issuing a profits warning. Ishikawa Seisakusho, a textile machinery maker with extensive operations in Indonesia, jumped 11 per cent to Y229. It was the fourth most heavily traded stock on the exchange.

The weakness of the yen continued to cause problems for sectors importing dollar-denominated raw materials. The oil sector, which is also suffering from falling petrol pump prices, fell 1.9 per cent. Nippon Oil dropped Y24 or 5 per cent to Y439.

Casio, the electronics group which announced startlingly good results as well as an ambitious profits forecast for the current year, jumped Y120 or 10 per cent to Y1,305.



News that Kajima, the construction company, would post an extraordinary loss of Y210bn in the current financial year came after the market closed. The stock ended down 1.9 per cent at Y360.

The Nikkei 225 average traded in a range between 15,582 and 15,309. In Osaka, the OSE index closed up 136 at 16,340.

KARACHI plunged 5 per cent to a 55-month low, in response to an interim court order slashing blue chip Hub Power's tariff by more than a half. The KSE-100 index dropped 68.27 to 1,306.06 as the court decision further depressed a market already bearish in the wake of the *nuclear row between* Pakistan and India.

Hub Power fell Rs3.20 to Rs28.25 and Shell Pakistan Rs26.90 to Rs262.

Analysts said the court ruling was the latest development in a row over alleged over-pricing and suspected corruption between Independent Power Producers and the government that has unnerved the stock market and soured the investment climate.

BANGKOK continued to move lower with the finance sector sliding steeply for the second day running. The SET index ended off 10.75 or 3 per cent at 346.46.

Banks fell 4.9 per cent and the finance sector 13.2 per cent for a two-day decline of 25 per cent. Dhana Siam Finance, which announced the postponement of a rights issue, shed Bt1.70 to Bt4.20. Bangkok Bank came off Bt4 to Bt66.

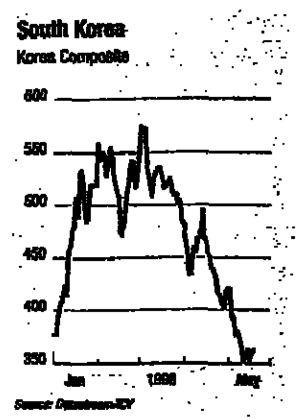
MANILA remained a casualty of regional sentiment, falling to a three-month low with the composite index off 56.50 or 2.7 per cent at 2,068.91.

Ayala Land fell 1 peso to 14.25 pesos and San Miguel B lost 1.50 pesos to 59.50 pesos.

EMERGING MARKET FOCUS

Tiger acquires taste for noodles

One measure of South Korea's fall from grace is that its once-proud export industries – cars, ships, and semiconductors – are being shunned by foreign investors. Instead, interest has shifted to such humble companies as Nong Shim, a maker of instant noodles.



What has made Nong Shim a favourite among investors is that it is practically debt-free as opposed to Hyundai, Samsung and Korea's other big conglomerates, or *chaebol*, with average debts five times equity because of costly diversification.

Analysts predict investors *will concentrate on Nong* Shim and other mid-sized companies with low debt when the foreign shareholding ceiling, now 55 per cent, is abolished on Friday.

But a defensive strategy based on corporate solvency is not likely to revive the Seoul bourse, which is hovering near an 11-year low, because low-debt companies represent *only a handful of* listed companies.

ING Barings estimates that nearly 70 per cent of the Korean companies it follows are considered "distressed", *and they account for 90 per* cent of the debt for the entire market.

Moreover, the Seoul bourse is likely to remain in the doldrums because of *fears over more bankrupt*cies among main industrial groups and threats of labour unrest as the *chaebol* begin the painful task of shedding workers. A weakening of the won is also likely to scare off overseas investors.

Analysts believe the market will not recover until the main *chaebol* are seen to adopt the conservative management practices of the likes of Nong Shim, which concentrated on its core food business.

Other favoured businesses with low debts include circuitboard maker Dae Duk Electronics, the security service company S1, the Pusan and Seoul city gas compa*nies and Namhae Chemical.*

Several blue-chip companies are considered to be in the charmed circle. SK Telecom, which dominates the local mobile telephone mar*ket, has a combination of* low debts and high operating margins. Although 1997 net profits fell by 42 per cent because of strong competition, the recession is likely *to weaken or eliminate* many rivals.

State-run Pohang Iron & Steel, one of the world's largest and most efficient steelmakers, also has a low debt *burden compared with other* big Korean companies.

Analysts also favour nearly debt-free Sindoricoh, which produces fax and copying machines that it *exports on an original equip*ment manufacturing basis to its Japanese partner, Ricoh.

Other strong picks include Medison, a highly profitable medical diagnostics company that has captured 70 per cent of the world's ultrasound equipment market, the semiconductor equipment maker Mirae, and telecom equipment supplier LG Information & Communications.

The shares of the favoured few are likely to be expensive as they are chased by too many investors.

John Burton